88-594

Supreme Court, U.S.
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No.

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1988

FOUR STAR CORPORATION
Petitioner,

v.

JOHN A. BOTT AND JAC PRODUCTS, INC,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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I. QUESTIONS PRESENTED FOR REVIEW

1. Did the Appeals Court misapply the law of the case doctrine since the language quoted from a prior liability appeal decision is dispositive of the issue of a two-year limitation on broadened claims in continuation practice and does not touch the issue now being appealed, the issue of applicability of the doctrine of intervening rights in fashioning a remedy?

Petitioner answers "yes."

2. Since the situation presented by the case at bar could not have arisen prior to the "terminal disclaimer" practice approved by the 1964 decision of *In re Robeson,* was it clear error for the Appeals Court in the first decision to look to the legislative history of the Patent Act of 1952, enacted 12 years prior to *In re Robeson?*

Petitioner answers "yes."

3. Do the reissue statutes and the doctrine of intervening rights bar a patentee from, more than two years after issuance of a first patent, filing, obtaining and successfully asserting a second patent having broader claims than the first?

Petitioner answers "yes."

LIST OF ALL PARTIES

All parties appear in the caption of the case in the Court.

The Petitioner Corporation, Four Star Corporation, has no parent companies, subsidiaries, or affiliates of the corporation.

The respondent Corporation, Jac Products, Inc., to the best of petitioner's knowledge, has only one publicly held affiliate, namely, Hoover Universal, Inc.

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CITATIONS TO OPINIONS BELOW

Bott v. Four Star, 675 F.S. 1069, 3 USPQ Sec. 1652 (D.C.E.D. Mich., Feb. 23, 1987), denying petitioner/defendant's Motion for Summary Judgment on equitable estoppel defense. A-5-22.

Unpublished Memorandum Opinion of the Trial Court dated September 2, 1987 granting plaintiffs/respondents' motion for Summary Judgment on remaining liability issues regarding patent infringement by petitioner (*Bott v. Four Star,* Civil Action No. 86-CV-70176). A-23-26.

Unpublished liability decision of the Trial court dated September 16, 1987 (*Bott v. Four Star,* Civil Action No. 86-CV-71076. A-27-32.

Unpublished Trial Court decision dated November 13, 1987 awarding injunctive relief to plaintiffs/respondents (*Bott v. Four Star,* Civil Action No. 86-CV-7016-DT, Eastern Dist. of Mich., Southern Division). A-33-35.

Unpublished decision by the Trial Court dated December 9, 1987 awarding damages to plaintiffs/respondents (*Bott v. Four Star,* Civil Action No. 86-CV-7016, Eastern Dist. of Mich., Southern Division). A-36-43.

Unpublished Appellate decision dated May 26, 1988 affirming both of the above decisions of the trial court (*Bott v. Four Star,* Appeal Nos. 88-1117, 1118, Ct. of Appeals for the Federal Circuit). A-44-49.

Unpublished Appellate decision dated August 26, 1988 affirming the damage award (*Bott v. Four Star,* Appeal No. 88-1278, Court of Appeals for the Federal Circuit). A-1-4.

JURISDICTIONAL STATEMENT

Jurisdiction of this Court is invoked to review the judgment of the United States Court of Appeals for the Federal Circuit dated August 26, 1988 affirming the decision of the Trial Court below awarding monetary damages to respondents/plaintiffs (Appeal No. 88-1278), said judgment being entered on August 26, 1988.

Petitioner submits that the above cited decision by the Court of Appeals for the Federal Circuit decided an important question of federal law which has not been, but should be, settled by this Court.

Jurisdiction to review the judgment cited above by writ of certiorari is conferred upon this Court by 28 USC Section 1254(1).

RELEVANT STATUTORY SECTIONS

35 USC Section 120

Section 120. Benefit of earlier filing date in the United States

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States or as provided by section 363 of this title, which is filed by an inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. (Amended November 14, 1975, Public Law 94-131, sec. 9, 89 Stat. 691; November 8, 1984, Public Law 98-622, sec. 104(b), 98 Stat. 3385).

35 USC Section 251

Section 251. Reissue of defective patents

Whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Commissioner shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

The Commissioner may issue several reissued patents for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

The provisions of this title relating to applications for patent shall be applicable to applications for reissue of a patent, except that application for reissue may be made and sworn to by the assignee of the entire interest if the application does not seek to enlarge the scope of the claims of the original patent.

No reissued patent shall be granted enlarging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent.

35 USC Section 252

Section 252. Effect of reissue

The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but insofar as the claims or the original and reissued patents are identical, such surrender shall not affect any action then pending or abate any cause of action then existing, and the reissued patent, to the extent that its claims are identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.

No reissued patent shall abridge or affect the right of any person or his successors in business who made, purchased or used prior to the grant of a reissue anything patented by the reissued patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased or used, unless the making, using or selling of such thing infringes a valid claim of the reissued patent which was in the original patent. The court before which such matter is in question may provide for the continued manufacture, use or sale of the thing made, purchased or used as specified, or for the manufacture, use or sale of which substantial preparation was made before the grant of the reissue, and it may also provide for the continued practice of any process patented by the reissue, practiced, or for the practice of which substantial preparation was made, prior to the grant of the reissue,

to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.

35 USC Section 253

Section 253. Disclaimer

Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing and recorded in the Patent and Trademark Office; and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

In like manner any patentee or applicant may disclaim or dedicate to the public the entire term, or any terminal part of the term, of the patent granted or to be granted (Amended January 2, 1975, Public Law 93-596, sec. 1, 88 Stat. 1949.)

STATEMENT OF THE CASE

The pertinent factual background to this appeal is more fully set forth in the Trial Court's equitable estoppel decision, *Bott v. Four Star,* 675 F.S. 1069, 3 USPQ 2d (DC ED Mich. 1987).

Petitioner/Defendant Four Star Corporation (hereinafter "Four Star") manufactures and sells automobile parts, including luggage racks, to the automobile industry. Respondent/plaintiff John A. Bott (hereinafter "Bott") is an inventor of automotive products and owns a controlling interest in respondent/plaintiff JAC Products, an exclusive licensee of his patents and manufacturer of racks. Both Four Star and Bott hold numerous patents covering luggage racks for motor vehicles.

In essence, Bott filed a patent application on July 8, 1974 relating to a roof top luggage rack for an automobile. Although claims of broad scope were allowed in the original application, that application was abandoned in favor of a continuation application which issued in 1977 as U.S. Patent No. 4,099,658. A second continuation application issued as U.S. Patent No. 4,182,471 in 1980 and those two patents were the subject of a first suit against Four Star (reported at 218 USPQ 358 (D.C.E.D. Mich, 1984), affirmed 732 F.2d 168 (hereinafter Bott I).

All of the claims of Patent Nos. 4,099,658 and 4,182,471 include the limitation that the cross-member be removable from the rack. Removability allows alternative support systems such as ski racks or bike carriers to be substituted for the cross-member and provide a low-profile appearance when removed from the rack. The importance of the patent removability of the cross-member was emphasized throughout the patent applications in the PTO, and in briefs and arguments in Bott I. The decisions in Bott I emphasized the lack of removability in the prior art and its importance to the performance of the rack. 218 USPQ at 365.

During the pendency of the first suit, and unbeknownst to Four Star, Bott was extending the chain of continuations. The fourth and fifth applications in the chain sought relatively broad claims and were finally rejected and abandoned. The sixth application in the chain issued as a patent covering a detailed feature of the invention unrelated to the broad claims.

In the meantime, on the advice of patent counsel, Four Star had "designed around" the two patents involved in the first suit by modifying the rack to make it "non-removable," thereby eliminating one of the features of the rack that had been relied on by Bott in arguing the validity of the first two patents during litigation of Bott I. This "revised AMC rack" was first offered to a mutual customer of Bott and Four Star in 1983.

In November 1983 Bott filed the seventh continuation application in the chain with claims substantially identical to the independent claims of the two patents involved in Bott I, but with the important "removability" limitation deleted, thereby covering Four Star's revised AMC rack. U.S. Patent No. 4,516,710 issued in May, 1985 as a result of that application.

A critical aspect of the underlying factual situation is that No. 4,516,710 was directed to the same invention as the two patents earlier in suit and simply broadened the scope of the protection afforded the patentee by deleting a limitation contained in the earlier claims. It thus "enlarges the scope of the claims of the original patent" as that term is employed in 35 USC 251, the section of the Patent Act of 1958 (Title 35 of the United States Code) which, along with Section 252, governs reissuance of defective patents.

On January 14, 1986, respondents/plaintiffs commenced this action for infringement of U.S. Patent No. 4,516,710 in the United States District Court for the Eastern District of Michigan based on Four Star's manufacture of the redesigned roof rack. Four Star's answer to the complaint raised a number of defenses including double patenting, abandonment, intentional delay of prosecution, and equitable estoppel. After a four-day bench trial in January 1987, the Trial Court entered judgment against Four Star on the equitable estoppel issue and issued an opinion on February 23, 1987. A-5-22.

Four Star presented proofs on the remaining defenses during five days of trial between August 11 and 17, 1987. At the conclusion of Four Star's proofs, the Trial Court granted Bott's motion under Rule 41(b), Fed. R. Civ. P., on Four Star's defenses, with the exception of the obviousness defense. In an unreported decision of September 2, 1987, the Trial Court stated

its reasons for granting Bott's motion on the non-obviousness defenses. A-23-26. Judgment against Four Star on the obviousness defense was entered at the close of the proofs. A-27-32.

The damages phase of the case was tried on November 2, and 13, 1987. In an opinion dated December 9, 1987, the Trial Court awarded Bott damages in an amount to be determined. A-36-43 . The Trial Court agreed to stay its November 13, 1987 order (A-33-35) regarding an injunction pending the disposition of an appeal on the liability issues to the Court of Appeals for the Federal Circuit. A-42.

Appeals were taken by Four Star on both the liability and the damages phases of the trial. On May 26, 1988, a three-judge panel of the Court of Appeals for the Federal Circuit affirmed the Trial Court decision in all respects on the liability issues. A-44-49. A Petition for Rehearing and Suggestion for Rehearing in Banc were duly filed and denied.

On August 26, 1988, a different three-judge panel of the CAFC affirmed the Trial Court on all aspects of the damage portion of the trial. A-2-4. A Petition for Rehearing was timely filed and denied by the Court. This Appellant Court decision forms the base for the present Petition for Writ of Certiorari.

In the first appellate decision, the CAFC rejected Four Star's arguments that Bott's later issued patent is invalid because it contains broader claims than the two earlier patents, was based on the same original application, and issued more than two years after the earlier patents, in contravention of Section 251 governing broadening reissue patents. The Appellate Court relied on a strict interpretation of 35 USC Section 120 (authorizing continuation applications based on a "parent" application), and the fact that the legislature could have put the two-year limit into continuation practice when enacting the 1952 Patent Act, but did not do so. A-46-47.

In the second appellate decision, the CAFC rejected Four Star's argument that the equitable doctrine of intervening rights codified in the reissue statute (35 USC Section 252) should be applied in a continuation situation when fashioning a remedy for patent infringement. The basis for the rejection of petitioner's

argument was that the same issue had been decided in the first appeal, and therefore, the law of the case doctrine applied. A-2-4.

It is petitioner's position that both appellate decisions are erroneous in a number of respects. It was error for the Appellate Court to invoke the law of the case doctrine in the second decision since the issues involved in the two appeals were clearly different: the first appeal involved putting a two-year limit on patents containing broadened claims which result from continuation practice; the second appeal concerning the applicability of the doctrine of intervening rights in a continuation situation when fashioning a remedy for patent infringement.

It was also error for the CAFC to determine that it was bound by the earlier decision even if the appeals involved identical issues. An appellate court, unlike a trial court, is not strictly bound by the law of the case doctrine in certain circumstances, one of which arises when the first decision was clearly erroneous. Petitioner submits that, in the first decision, it was clear error for the CAFC to look to the legislative intent behind the 1952 Patent Act when the situation encountered by Four Star could not have occurred prior to the 1964 decision of *In re Robeson.*

Finally, the case at bar is unique. Neither the Trial Court nor the CAFC were presented by either party with any case law directly on point. If the decisions below are allowed to stand, the effect on the patent system and the public is enormous since a large element of uncertainty will be allowed to remain in the system; competitors will be unable to rely on the limitations imposed by the reissue statutes in determining whether it is safe to design around an issued patent. In other words, the protection afforded a patentee will no longer be limited to the scope of the claims of an issued patent. A possibility will remain open during the term of the patent that another application with broader claims waits in the wings, the issuance of which will brand the competitor an infringer.

BASIS FOR FEDERAL JURISDICTION IN THE COURT OF FIRST INSTANCE

The subject lawsuit was filed in the Court of first instance alleging patent infringement. The Trial Court had jurisdiction over the lawsuit pursuant to 28 USC Section 1338.

ARGUMENT

I. Statutory Background

A. Continuation Applications

Under the provisions of 35 USC Section 120, a patent applicant who has a pending application on file in the Patent Office may file a "continuation application" which has exactly the same description of the invention as the original or "parent" application, and is entitled to the filing date of the parent. As long as no patent has issued from the parent application and the parent application has not been abandoned by the applicant, the applicant is permitted to file the continuation application.

Possible motives for filing a continuation application are many and varied. If it is clear to the applicant that the Patent Office has finally rejected the claims of the parent application, the applicant may file a continuation application having the same specification and drawings, but presenting new claims, in order to get another chance at securing a patent. In another typical situation, the applicant has already received notice from the Patent Office that it will allow claims and a patent will issue from the parent application. However, the applicant may feel that the allowed claims cover only part of his invention, perhaps one particular embodiment thereof. While the applicant was unable to convince the Patent Office to grant broader or more varied claims during prosecution of the parent application, by filing a continuation application, the applicant has another chance to convince the Patent Office to allow more and broader claims.

Continuation applications may also be filed for strategic reasons. For example, the inventor may have disclosed and claimed a broad inventive concept in the parent application. However, he may be interested in marketing a product which does not require such broad patent protection but only the protection offered by a set of narrow claims drawn specifically to the marketable product. In such a case, the inventor may allow the parent application to issue quickly with the narrow claims, and

preserve the right to argue for broader or different claims in a continuation application. Since patent applications are maintained in secrecy at the Patent Office, the inventor may, in this manner, preserve a marketing advantage over his competitors who will have difficulty ascertaining the true scope of the invention from the narrow patent issuing from the parent application.

In the case at bar, the application which resulted in the patent-in-suit was a seventh generation application from the original parent application. Some of the intervening applications did issue as patents, but in all cases a continuation or divisional application was filed before its predecessor issued as a patent or was abandoned, thus preserving the chain of applications. (A divisional application is a species of continuation application used in situations where the patent Examiner requires the applicant to file a separate application by refusing to examine some of the claims in the original application on the grounds that they are drawn to a separate and distinct invention.) Since, in the case at bar, Bott's original application was filed in 1974, all of the patents which ultimately issued trace back to this application and are entitled to that filing date. A filing date is important because it effectively prevents a competitor from claiming priority invention of a given item.

B. Terminal Disclaimer

Since continuation practice permits a patent applicant to lengthen the pendency of a patent application in the Patent Office over the lengthy period of time, it might appear that an inventor could use this practice to prolong the life of the monopoly conferred by a patent to long beyond the statutorily established seventeen year term. However, this does not happen because, in cases where more than one patent issues from the same parent application, the patent Examiner normally will require the patent applicant to disclaim part of the term of the later filed patent. For example, if the second patent issues five years after the first patent, the inventor will be required to disclaim the last five years of the term of the second patent to the extent it claims the same

invention as the first patent. This practice is permitted under 35 USC Section 253, second paragraph.

Because the inventor is required to disclaim part of the normal seventeen year term of the later issued patent, he will not be able to achieve longer than a seventeen year period of protection for the invention no matter how many continuation applications are filed and however many patents issue from the applications. Thus, while continuation practice may permit the patentee to enlarge the scope of protection in a later filed patent, it does not permit him to extend the term of protection.

C. Broadening Reissue Patents

Sometimes, after a patent has already issued, the inventor may notice that the claims of the issued patent do not accurately reflect the true scope of protection to which the invention is entitled. For example, the patentee may become aware of references in the public domain which predate the invention (so-called "prior art" references). One of these newly discovered prior art references may disclose part of what is claimed in the patent. In that case, since the claims of the patent give the patentee a greater scope of protection than that to which he is entitled, the inventor has an obligation to bring this situation to the attention of the Patent Office in a reissue proceeding. In this case, the Patent Office will probably reissue the patent with narrower claims, a so-called "narrowing reissue." A narrowing reissue may occur at any time during the seventeen year term of the original patent.

Sometimes, however, the inventor or the patent agent or attorney realizes after the patent has already issued that the claims are too narrow; the inventor is entitled to a broader scope of protection than offered by the issued claims. Again, the patentee can request the Patent Office to reissue the patent with broader claims, a so-called "broadening reissue." However, 35 USC Section 251 states, in pertinent part, that "no reissued patent shall be granted enlarging the scope of the claims of the original patent unless applied for within two years from the grant

of the original patent." Thus, while there are no time limits on the granting of a narrowing reissue, there is a two-year time limit on applying for a broadening reissue.

35 USC Section 252 concerns the effects of a reissued patent. The second paragraph of Section 252 contains some equitable protection for third party competitors of the inventor who obtains a broadening reissue. The second paragraph states:

> No reissued patent shall abridge or effect the right of any person or his successors in business who made, purchased or used prior to the grant of a reissue anything patented by the reissued patent to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased or used, unless the making, using or selling of such thing infringes a valid claim of the reissued patent which was in the original patent.

The following illustrative example may assist the Court in understanding the operation of the quoted statutory language. Suppose, for example, a patent issues having claims covering a two-person, pedal-driven lawn mower. A competitor who has knowledge of the patent manufactures a virtually identical pedal-powered lawn mower for use by a single rider. The one-person mower does not infringe the patent, which is limited only to a two-person mower. Sometime within two years after the patent issues, the inventor decides that his patent should have covered a one-person pedal-powered lawn mower. He succeeds in convincing the Patent Office to reissue his patent with broader claims covering a pedal-powered lawn mower suitable for use by at least one rider. The broader claim of the reissued patent covers a pedal-powered lawn mower which can be used by one, two or any unspecified number of people. Obviously, it covers the competitor's product. The provision of Section 252 quoted above protects the competitor, who may have invested large sums in gearing up for production of one person pedal-powered lawn mowers, and who believes in good faith that, based on a reading of the claim of the original, issued patent, the product she manufactures is not infringing. The claim of the reissued patent does not affect the

right of the competitor to continue to manufacture the one-person, pedal-powered lawn mower; since, while it does infringe the claims of the broader, reissued patent, it does not infringe the claim of the original patent.

In a situation like that described above, Section 252 further states that:

> The court before which such matter is in question may provide for the continued manufacture, use or sale of the thing made, purchased or used as specified, or for the manufacture, use or sale of which substantial preparation was made before the grant of the reissue, and it may also provide for the continued practice of any process patented by the reissue, practiced, or for the practice of which substantial preparation was made, prior to the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.

The quoted language from Section 252 is the basis upon which the doctrine of "intervening rights" is founded.

II. The Two Decisions of the CAFC

A. The Decision in the First Appeal

During litigation of the liability phase of the instant lawsuit, petitioner challenged the validity and enforceability of the patent-in-suit on numerous grounds. However, the Trial Court found the patent valid and infringed by petitioner, thus rejecting all of petitioner's defenses. Most of the challenges to the patent, and its enforceability were presented on appeal to the CAFC, who affirmed in toto the decision of the Trial Court. However, so as not to burden the Court with a discussion of issues extraneous to the present proceeding, petitioner will discuss the only issue in the first decision which is relevant to the decision on the second appeal, that issue being whether a two-year limitation similar to the limitation on broadening reissues should be imposed in a situation where the patentee has succeeded in obtaining broader

claims in a later issued patent via a series of continuations from an earlier issued patent.

In its opinion on the first appeal, the CAFC disposed this issue as follows:

> Four Star contends that patents based on a series of continuation applications should be subject to equitable safeguards if they issue two years after a patent issues on the original disclosure. In support, Four Star relies on *Webster Electric Co. v. Splitdorf Electric Co.*, 264 US 463 (1924). See also *Crown Cork & Seal Co. v. Ferdinand Guttman Co.*, 304 US 159 (1937).
>
> We are not persuaded by Four Star's position because these Supreme Court cases preceded the enactment of the Patent Act of 1952 (Title 35 of the United States Code). Continuation applications are authorized by 35 USC Section 120 (Supp. III, 1985). Section 120 does not contain any time limit on broadened claims similar to the two-year time limit applicable to reissue proceedings under 35 USC Section 251 (1982). The latter section expressly provides that a reissued patent shall not be granted enlarging the scope of the claims of a patent unless it is applied for within two years of the grant of the original patent. Had the legislature intended any such time limit to apply to continuation applications, it could have included a similar provision in Section 120. Moreover, we have not been directed to anything in the legislative history of the 1952 Act that supports Four Star's contention that the equitable considerations discussed in the Supreme Court cases relied on by Four Star should have continued viability.
>
> Accordingly, we are not persuaded by Four Star's argument is that this Court should adopt equitable safeguards to limit continuation applications when the Congress gave no indication that it intended to do so. See *In re Hogan*, 559 F.2d 595, 604 note 13, 194 USPQ 527, 536 note 13 (CCPA 1977) ("the 24 years of pendency herein may be decried but a limit

upon continuing applications is a matter of policy for the Congress, not for us."); *In re Henriksen,* 399 F.2d 253, 262, 158 USPQ 224, 231 (CCPA 1968) (application depended on another filed twenty years earlier). A-46-47.

The import of this holding is that a patentee may file an application having broadened claims more than two years after the issuance of a prior patent having narrower claims provided that the application with broadened claims, by being one of a series of continuation or divisional applications, is in the chain of pendency of the original application from which the prior patent also depends. Hence, by maintaining a chain of continuation applications, a patentee may contravene the two-year limitation on broadened reissue patents imposed by Section 251 discussed above.

B. The Issue on Appeal During the Second Appeal

Although the language from the first appellate decision cited above refers to "equitable safeguards," only one type of equitable safeguard is discussed in the cited language, that of a two-year limitation on filing a patent application with broadened claims. A-47. No other equitable safeguard is discussed and the rationale given for the holding also confines itself to the issue of a two year limitation. The remainder of the opinion concerns other issues raised by Four Star, such as equitable estoppel, double patenting, inequitable conduct, etc. as well as to a discussion of a cross appeal taken by Bott on the Trial Court's grant of summary judgment to Four Star on the two earlier litigated patents, which were added to the case at bar by Bott in an amended complaint.

The issue which was actually appealed in the second appeal was the applicability of the doctrine of intervening rights to the case at bar. As stated in respondent's brief on appeal in the second appeal:

> This appeal is from the final judgment as to damages and injunction. It is limited to the issue of whether the intervening rights doctrine invoked by the Courts before the Patent

> Act of 1952 to protect infringers of claims broadened by reissue, and later codified as 35 USC Section 252, should be invoked to protect the rights of parties held to infringe a patent issuing from a continuation application filed as an alternative to a reissue application. A-49.

Essentially, it was petitioner's position on appeal that, if the patent system allows a patentee to correct the claims of a patent which claims less than the patentee had a right to claim by either the reissue procedure authorized by statute or alternatively by filing a series of continuation applications with disclaimers of the terms of the issuing patents, as Bott did here, then equity requires that the intervening rights provisions as contained in the reissue statutes and in the Court decisions in which intervening arose prior to codification of the reissue statutes should be invoked to protect a party found to infringe the latter issuing patents.

III. Since the Decision on the Liability Appeal Did Not Deal with the Applicability of Intervening Rights, It was Error for the Appeals Court to Apply the Law of the Case Doctrine in Deciding this Issue.

In its decision on the second appeal, the appeal on the damages issue on which petitioner is seeking a writ of certiorari from this Court, the CAFC stated:

> The only issue on this appeal is raised by Four Star's contention that equity requires that the doctrine of intervening rights, invoked by courts prior to enactment of 35 USC Section 252 (1982) and thereafter codified by that statute, should be applied in this case to protect the intervening rights of Four Star against liability for the infringement of Bott's '710 patent.
>
> There is a sharp dispute between the parties as to whether this issue was adequately presented to the District Court, but for the purposes of this appeal, we shall assume that the issue is properly before us. We hold, however, that Four Star's right to release is precluded by the law of the case doctrine,

> because of this Court's decision in *Bott v. Four Star Corporation,* No. 88-1117 and 88-1118 (Fed. Cir. May 26, 1988) (unpublished).

After quoting verbatim the entire middle paragraph from the prior decision cited previously, the Appellate Court went on to hold:

> This Court has recognized that the law of the case doctrine applies in patent cases. See, e.g., *Smith International, Inc. v. Hughes Tool Co.,* 759 F.2d 1572, 1576, 225 USPQ 889, 891 (Fed. Cir. 1985).
>
> Four Star argues that our decision of May 26, 1988 merely affirmed the District Court holding that Bott was not equitably estopped from enforcing the '710 patent and did not reach the issue involved in this appeal. However, in view of the clear and explicit language quoted above, this contention must be rejected. A-4.

The Appeals Court does not explain how the cited language from the first appellate decision contains "clear and explicit language" on the intervening rights issue when this issue was never briefed or argued in the first appeal. Nothing in the language from the prior decision says directly or indirectly anything about intervening rights. Petitioner submits that the second CAFC decision resulted from the Appellate Court's confusion about what issues were actually decided in the prior liability appeal. The prior decision affirmed the Trial Court in its holding that the two-year time limit on asserting broader claims in reissue proceedings under Section 251 is not applicable to continuation practice. A-46. In contrast, the instant appeal addresses an entirely separate issue: whether the doctrine of intervening rights, which originated as a judicially created equitable safeguard against abuses of reissue practice and was later codified as 35 USC 252, should be applied in fashioning a remedy where claims have been broadened by continuation rather than by reissue. A-49.

The doctrine of the law of the case "was judicially created to ensure judicial efficiency and to prevent the possibility of endless litigation." *Central Soya Co., Inc., v. George A. Hormel & Co.,* 723 F.2d 1573, 220 USPQ 490, 495 (CAFC 1983). The law of the case doctrine "expresses the practice of the courts generally to refuse to reopen what has been decided." *Mereenger v. Anderson,* 225 US 436, 444 (1912). While "no litigant deserves an opportunity to go over the same ground twice . . ." *United States v. Turtle Mountain Board of Chippewa Indians,* 612 F.2d 517, 520 (Ct. Claims 1979), this is not a situation where the Appellate Court was presented with the same issue on a second appeal. The issues are clearly distinct. Therefore, the law of the case doctrine was incorrectly applied and the Court should grant writ for certiorari in order to decide the intervening rights issue on its own merits.

IV. Since the Continuation Practice Engaged in by Respondents Only Became Possible after 1964, this Issue Could Not Have been Considered by the Legislature in Passing the 1952 Patent Act.

Even, assuming arguendo, that the law of the case doctrine was correctly applied by the CAFC, this Court has jurisdiction to consider any error preserved on the record. *Hamilton Brown Shoe Co. v. Wolfe Bros. & Co.,* 240 US 251, 258, 36 S.Ct. 269, 60 L.Ed. 629 (1916). If certiorari is not sought after the first decision of a Court of Appeals, it may nevertheless be granted on petition following a second appeal. "[I]f it [certiorari] is [granted], the Court has jurisdiction to consider any error preserved in the record, and the decision of the Court of Appeals on the first appeal, is open for review on the merits, though it may have been followed as the law of the case on second appeal." *Moore's Federal Practice,* vol. 1B, paragraph 0.404[4].-6, pg. 141.

Petitioner submits that the decision on the first appeal was clear error since it refused to impose a two-year limitation on continuation practice under the rationale that the legislature could have imposed such a limitation when it enacted the Patent Act of 1952 and, since it did not do so, there was no justification

for a court-imposed limitation. A-46-47. The reasoning of the CAFC in the first appellate decision flies in the face of the historical sequence of events that have permitted Bott to engage in the continuation practice at issue here. Without the judicially created doctrine of terminal disclaimer, an applicant could not chain continuation applications in the manner done by Bott in order to preserve the right to file a patent application having broader claims than earlier issued patents.

The patent statutes permit one patent for one invention. 35 USC 101. Even where a patentee is diligent, however, it sometimes happens that a later patent issues to substantially the same invention as has been previously patented. Prior to about 1964, the courts uniformly struck down at least the second-to-issue patent on the ground that it would permit the patentee to extend his period of protection for longer than the seventeen year term of the first issued patent. This is the "double patenting" doctrine.

The leading case from this Court enunciating that doctrine is *Miller v. Eagle Manufacturing,* 151 US 186 (1894). There, a second patent contained a broader claim than the first, and the broader claim was not to a patentably distinct invention from that previously patented by the more narrow claim. Improper double patenting was held to exist. As an example of the many more recent cases expressing the principle, see *In re Siu,* 222 F.2d 267, 105 USPQ 428 (1955).

The practice changed around 1964. In that year, the Court of Customs and Patent Appeals decided *In re Robeson,* 331 F.2d 610, 141 USPQ 485 (CCPA 1964). (See especially page 488 et seq). In that case, a terminal disclaimer under 35 USC Section 253 was filed so that the second-to-issue patent would expire at the same time as the first patent. The Court held that the second patent could issue because the only objection to it was extension of the patent period and the terminal disclaimer precluded such extension. A number of subsequent court decisions have upheld second patent issuance where the only objection is prolonging the patent period, which objection was obviated by the filing of terminal disclaimers.

Thus, prior to *In re Robeson,* only a single patent could be obtained on a single invention. The use of terminal disclaimers to cure double patenting is a judicial doctrine created by *In re Robeson* and its successor cases. Prior to 1964, it would not have been possible for respondents to chain a series of continuation applications and obtain a patent containing broader claims than an earlier issued patent resulting from the chain. Such a later issued patent would have been rejected due to the double patenting doctrine. However, the terminal disclaimer practice approved in *In re Robeson* has made respondents' practice possible. The situation presented in the case at bar, where Four Star redesigned the product which infringed the earlier narrow patents, only to find itself being sued on the redesign for infringing the broadened patent, could only have arisen after 1964.

In the first appeal, the CAFC refused to impose any time limit on broadened claims in continuation situations in a manner analogous to the two-year time limit applicable to reissue proceedings, using legislative history as a justification. A-46-47. While it is true that the reissue and continuation statutes are part of the Patent Act of 1952, there would have been no reason for Congress to have added to those sections governing continuation practice equitable limitations similar to those governing broadened reissue practice since the judicially created terminal disclaimer practice did not exist at that time. Hence, legislative intent behind the passage of the Patent Act of 1952 is irrelevant to this issue. From a historical perspective, the language quoted from the first appellate decision makes no sense. Therefore, the holding is clearly erroneous.

V. Since Continuation Practice May Be Used to Obtain Broadened Claims in a Manner Analogous to Reissue Practice, the Equitable Safeguards of the Reissue Statute, Including a Two-Year Limitation on the Filing of Broadened Claims and the Doctrine of Intervening Rights, Should be Applied to Continuation Practice.

A. Continuation Practice Combined with Terminal Disclaimers Should Not Be Allowed to Obviate the Two-Year Limitation on Broadening Reissues.

Effectively, respondents have obtained a patent, which was filed for and issued more than two years after the patent from which it claims priority, with broader claims than the earlier patent, even though both have identical disclosures. The situation presents the same abuse as previously arose in connection with reissue patents, an abuse long ago addressed by the Courts, which acted to impose a time limit for filing a broadening reissue. Since 1952, the two-year limit of 35 USC Section 251 has been imposed by statute.

Prior to 1952, the governing statute was Section 4915 RS, which imposed no time limit for filing reissue applications in relation to the date of issuance of the original patent. Thus, it was at one time possible for a patentee to do via reissue, exactly what Bott has done: to wait for a prolonged period of time and then file a reissue application with broadened claims directed to substantially the same invention as that originally patented. Beginning with this Court's decision of *Edward Miller & Co. v. Bridgeport Brass Co.,* 104 US 350 (1882), the courts have repeatedly held that such conduct is not permissible, and that the non-diligent patentee is estopped on reissue from obtaining broader claims. In *Miller,* the patentee waited fifteen years before filing for a reissue. Mr. Justice Bradley stated:

> [I]n reference to re-issues made for the purpose of enlarging the scope of the patent, the rule of laches should be strictly applied; and no one should be relieved to have slept upon his rights, and has thus led the public to rely on the implied

> disclaimer involved in the terms of the original patent and when this is a matter apparent on the face of the instrument, upon a mere comparison of the original patent with the reissue, it is competent for the courts to decide whether the delay was unreasonable and whether the reissue was therefore contrary to law and void. 104 US at 356.

While the Court used the expression "laches," the actual holding was one of estoppel. The patentee was barred from any enforcement of the enlarging reissue at any time.

Had Bott gone the statutory reissue route, he could not have achieved the degree of protection he eventually obtained. After the issuance of the first of the prior litigated patents in 1978, Bott would have had two years in which to file a broadening reissue application, based on that patent, with claims which did not contain the removability limitation. Such a reissue application could have been filed no later than July of 1980. Since most patents issue within two years or so after filing, in the normal course of events the broadening reissue, if deemed allowable, would have issued by about 1982 or 1983. Both the reissue application and the resulting patent would have been a matter of public record, and would have been known to Four Star when it was attempting to design around the two earlier litigated patents. However, even if a broadening reissued patent had, indeed, issued after Four Star's design-around, the intervening rights protection of the second paragraph of 35 USC Section 252 previously discussed, would have come into play, and Four Star's right to continue manufacture and sale of the non-removable racks would have been protected.

By following the continuation application and terminal disclaimer route, Bott has been able to contravene the equitable safeguards imposed by the reissue statutes. He was able to obtain a patent with broader claims seven years after the issuance of the earlier, narrow patent. He was, moreover, able to keep Four Star completely in the dark as to the scope of the claims which might ultimately issue based on the originally filed disclosure.

Section 120 of the 1952 Patent Act dealing with continuation practice, admittedly, is silent with regard to how many continuation applications can be chained and over what period of time such chaining can occur. The broadening reissue statute, 35 USC Section 251, contains a strict two-year limitation on the time for filing claims of broader scope on an already issued patent. Yet, if the practice of chaining continuation applications is not limited as to time or number, and no limitation is placed on the scope of the claims contained therein, the two-year limitation on broadened claims contained in the reissue statute is effectively neutered.

B. Invocation of the Doctrine of Intervening Rights is Appropriate in the Case at Bar.

The purpose of the intervening rights provisions of the reissue statute is to prevent inequitable prejudice to persons whose acts would not have infringed a claim of the original patent. Silverman, "To Err is Human — Patent Reissues and the Doctrine of Intervening Rights," *Journal of the Patent Office Society,* vol. 48, no. 11, November 1966.

The pertinent part of 35 USC Section 252 is the section providing:

> The court before which such matter is in question . . . may . . . provide for the continued manufacture . . . of [things for] which substantial preparation was made before the grant of the reissue . . . to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.

This statutory provision was invoked in *Gerhardt v. Kinnaird,* 162 F.Supp. 858, 117 USPQ 474 (D.C.E.D. KY. 1958) to allow the continued manufacture of a product which did not infringe the original claims.

> After issue of the original patent and with knowledge and appreciation of its limited character and indeed being governed by the advice of patent counsel, the defendants built a non-infringing item. Before the reissue application was filed,

> the defendants employed additional workmen at a substantial expense. They had widely advertised and spent money and time to put the truck and trailer body for transporting stacked articles into commercial use on a large scale. They had sold this product extensively and had practically converted their entire business enterprise to the production and sale of the allegedly infringing item. As the court in the case of *Ashland Firebrick Co. v. General Refractories Co., supra.* [27 F.2d 744 (CA 6)] applied the theory of equitable estoppel to support a private intervening right in the nature of a license as against a valid reissue, I believe that equity in the present case demands that this court apply the same reasoning in the case at bar. 117 USPQ 478-479.

The *Gerhardt* court applauded the then recently enacted intervening rights statutes:

> The purpose of the amendment is most salutory. It enables the judges sitting in equity in a patent case to protect the rights of the manufacturer of the accused article without reversing the commissioner of the patent office and declaring the patent invalid. 117 USPQ at 478.

The history of the intervening rights statute is of particular interest in this case because it points up the manner in which successive applications directed to the same invention, without protection for intervening users, can be misused. See *Frederico,* "Intervening Rights in Patent Reissues" *30 George Washington Law Review,* 603 (1962). That article cites Howson, *Patents and Useful Arts* (1878):

> Like other beneficial measures, however, this privilege of reissuing patents has been grossly abused, and has brought our patent system into such disrepute, that remedial legislation is imperatively demanded. *Id.* at 610.

If the practice followed (or perhaps invented) by respondent of filing a long series of continuation applications in an effort to tailor the patent protection to commercial realities is to be allowed, some special equitable protection must be afforded

intervening users. Recognition of the danger of the practice certainly was a factor motivating respondents own witness during trial, ex-commissioner of patents Schuyler in his statement that if there were legislation pending outlawing the practice, he would support it.

> The Court: So Bott had the best of both worlds, he didn't have to assert the claim to get it and, on the other hand, he was protected against anyone else coming in from the side?
>
> Answer: That's right.
>
> The Court: Doesn't that offend you a little bit?
>
> Answer: If there were a bill in Congress to rectify the situation, I would support it, Your Honor. I don't find anything offensive about the conduct in this case.
>
> The Court: I didn't ask you about the conduct. I asked you about the hypothetical I gave you.
>
> Answer: I said I would. I am offended by it. I would like to see the law corrected. A-50.

It took Congress approximately 75 years to correct the abusive reissue practices noted by Howson in 1878 by enacting Section 252 in 1952. While the Trial Court below was not comfortable with respondent's patent practices, it deemed it best to leave it up to some "higher authority" to curb it. A-32. The CAFC refused two opportunities to take action on the grounds that the matter was really best left to Congress. If this Court, like the two courts below, decides to duck the issue and pass the "potato" on to Congress, it is likely that that body will not do anything to correct the abuses delineated herein for at least another 75 years. Can the patent system and the nation as a whole afford to wait that long?

VI. Conclusion

For the reasons stated, petitioner respectfully requests the Court to issue a Writ of Certiorari to the Court below and to initiate further proceedings consistent therewith.

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CERTIFICATE OF SERVICE

I hereby certify that three copies of the foregoing Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit were served on counsel for respondent by forwarding same, by First Class Mail, postage prepaid, to Jeffrey A. Sadowski, Harness, Dickey & Pierce, 1500 N. Woodward Avenue, Birmingham, Michigan 48011, this 28th day of September, 1988.

(s) David B. Ehrlinger

STATE OF MICHIGAN }
COUNTY OF OAKLAND } ss.

Subscribed and sworn to before me this 28th day of September, 1988.

(s) Sandra L. Clark
Notary Public, Oakland County, MI
My Commission Expires Feb. 8, 1989

(SEAL)

No.

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1988

FOUR STAR CORPORATION
Petitioner,

v.

JOHN A. BOTT AND JAC PRODUCTS, INC,
Respondents.

APPENDIX

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Opinion Announcing
Judgment of the Court

United States Court of Appeals for the Federal Circuit

OPINION ANNOUNCING JUDGMENT OF THE COURT

OPINION FILED AND JUDGMENT ENTERED: AUGUST 26, 1988

The attached opinion announcing the judgment of the court in your case was filed today. The judgment was also entered pursuant to Rule 36.

Costs may be recoverable under Rule 39 or as the court may have directed in the opinion. A party entitled to costs is provided with a form for that purpose with this notice. Costs when taxed are payable to the party awarded its costs. If costs are awarded to the government, they should be paid to the Treasurer of the United States. Payment should be made to counsel for the party awarded costs or, if the party is not represented by counsel, to the party pro se. Costs should be paid promptly.

If the court also imposed monetary sanctions, they are payable to the opposing party unless the court's opinion provides otherwise. Sanctions should be paid in the same way as costs.

FRANCIS X. GINDHART
Clerk

Opinion—Decided Aug. 26, 1988

United States Court of Appeals for the Federal Circuit

OPINION—DECIDED AUG. 26, 1988

88-1278

JOHN A. BOTT and JAC PRODUCTS, INC.
Plaintiffs-Appellees,

v.

FOUR STAR CORPORATION,
Defendant-Appellant.

DECIDED: August 26, 1988

Before NIES, *Circuit Judge,* COWEN, *Senior Circuit Judge,* and MICHEL, *Circuit Judge.*

COWEN, *Senior Circuit Judge.*

Four Star Corporation ("Four Star") appeals the final judgment of the United States District Court for the Eastern District of Michigan, Southern Division, in Civil Action No. 86-CV-70176-DT. The district court awarded damages for patent infringement in favor of the appellees (Bott) against Four Star, but stayed an injunction which had been issued against Four Star, pending the outcome of this appeal. We *affirm* the decision of the district court.

Note: This opinion has not been prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent. The decision will appear in tables published periodically.

Opinion—Decided Aug. 26, 1988

OPINION

This appeal is another episode in the long history of litigation between the same parties in the same court over patents involving luggage racks for automobiles. Many of the pertinent facts are set forth in this court's recent decision in *Bott v. Four Star Corp.*, Nos. 88-1117 and 88-1118 (Fed. Cir. May 26, 1988) (unpublished). As the court there found, judgment was entered in favor of Bott against Four Star for the infringement of Bott's patents '658 and '471 covering removable automobile luggage racks. In 1983, Four Star altered the design of its luggage rack to avoid infringement of the '658 and '471 patents by developing a nonremovable rack which Four Star began selling in June 1984.

The patent involved in this appeal is U.S. Patent No. 4,516,710 ('710). In May 1985, Bott's '710 patent issued and contained claims that were broad enough to encompass Four Star's redesigned racks. The '710 patent resulted from an application filed in November 1983. It was the seventh in a series of continuation applications, all of which were based on the identical disclosure and relied for priority on an application filed in 1974. The applications on which the '658 and '471 patents issued were part of the string of continuations.

The only issue on this appeal is raised by Four Star's contention that equity requires that the doctrine of intervening rights, invoked by the courts prior to enactment of 35 U.S.C. § 252 (1982) and thereafter codified in that statute, should be applied in this case to protect the intervening rights of Four Star against liability for the infringement of Bott's '710 patent.

There is a sharp dispute between the parties as to whether this issue was adequately presented to the district court, but for the purposes of this appeal, we shall assume that the issue is properly before us. We hold, however, that Four Star's right to relief is precluded by the law of the case doctrine, because of this

court's decision in *Bott v. Four Star Corp.*, Nos. 88-1117 and 88-1118 (Fed. Cir. May 26, 1988) (unpublished).

In that decision, the court stated:

> We are not persuaded by Four Star's position because these Supreme Court cases preceded the enactment of the Patent Act of 1952 (Title 35 of the United States Code). Continuation applications are authorized by 35 U.S.C. § 120 (Supp. III 1985). Section 120 does not contain any time limit on broadened claims similar to the two-year time limit applicable to reissue proceedings under 35 U.S.C. § 251 (1982). The latter section expressly provides that a reissued patent shall not be granted enlarging the scope of the claims of a patent unless it is applied for within two years of the grant of the original patent. Had the legislature intended any such time limit to apply to continuation applications it could have included a similar provision in section 120. Moreover, we have not been directed to anything in the legislative history of the 1952 Act that supports Four Star's contention that the equitable considerations discussed in the Supreme Court cases relied on by Four Star should have continued viability.

This court has recognized that the law of the case doctrine applies in patent cases. *See, e.g., Smith Int'l, Inv. v. Hughes Tool Co.*, 759 F.2d 1572, 1576, 225 USPQ 889, 891 (Fed. Cir. 1985).

Four Star argues that our decision of May 26, 1988, merely affirmed the district court's holding that Bott was not equitably estopped from enforcing the '710 patent and did not reach the issue involved in this appeal. However, in view of the clear and explicit language quoted above, this contention must be rejected.

OPINION—DECIDED FEBRUARY 23, 1987
District Court, E.D. Michigan

Bott v. Four Star Corp.
No. 86-70176
Decided February 23, 1987

PATENTS
1. Infringement — Defenses — Estoppel (§120.1103)

Defense of equitable estoppel is not available to defendant in patent infringement action brought by patentee who had abandoned claims comparable to claims of patent-in-suit and who later obtained patent based on similar claims, since defendant knew or should have known, from examination of file histories, that patentee was in position to obtain patent on automobile roof rack similar to defendant's allegedly infringing device, and since defendant was not, therefore, misled by patentee's conduct.

Action by John A. Bott and Jac Products Inc. against Four Star Corporation for patent infringement. At trial on bifurcated issue of equitable estoppel. Judgment for plaintiffs.

See also 1 USPQ2d 1210.

Jeffrey A. Sadowski, H. Keith Miller, and Harness, Dickey & Pierce, all of Birmingham, Mich., for plaintiffs.

Allen M. Krass and Krass & Young, both of Troy, Mich., for defendant.

Cohn, District Judge.

I.

This is a patent case. Plaintiff, John Bott (Bott), is the owner of U.S. Patent No. 4,099,658 (the '658 patent), U.S. Patent No. 4,182,471 (the '471 patent) and U.S. Patent No. 4,516,710 (the '710 patent). The patents-in-suit disclose an article carrier, com-

monly called a luggage rack, for an automobile vehicle. The '658 and the '471 patents disclose a removable rack while the '710 patent discloses a nonremovable rack. The term of each patent expires April 5, 1994 by virtue of terminal disclaimers.

Defendant Four Star Corporation (Four Star) currently manufactures and sells to American Motors Corporation (AMC) a nonremovable rack that Bott alleges infringes the '658 and '471 patents by equivalents and literally infringes the '710 patent. Earlier, Four Star manufactured and sold to AMC a removable rack that I found infringed the '658 and '471 patents. *See Bott v. Four Star Corp.*, 218 U.S.P.Q. 358 (1983), *aff'd without opinion,* 732 F.2d 168 (Fed. Cir. 1984) (liability), and 229 U.S.P.Q. 241 (1985), *aff'd in relevant part,* 807 F.2d 1567 [1 USPQ2d 1210] (Fed. Cir. 1986) (damages) (*Bott I*). I also found in *Bott I* that Four Star's nonremovable rack likely did not infringe the '658 and '471 patents, at least literally. *See Memorandum And Order On Contempt Motion* (Feb. 26, 1985).

Bott filed this case on January 14, 1986 alleging infringement of the '710 patent. Four Star's answer raised a number of defenses including double patenting, abandonment, intentional delay of prosecution, and equitable estoppel. On December 18, 1986, I entered an order bifurcating the issue of equitable estoppel and setting it down for immediate trial. *See Order Bifurcating Affirmative Defense Of Estoppel* (Dec. 18, 1986). Plaintiff amended his complaint to add claims of infringement of the '658 and '471 patents on January 12, 1987. On four days at the end of January of this year, I tried the issue of equitable estoppel.

II.

A.

Four Star's defense of equitable estoppel can be outlined as follows:

— the '710 patent is the end of a chain of patent applications beginning with an application filed on July 8, 1974 followed by

abandonments, continuation applications, divisional applications, and issued patents including the '658 and '471 patents.

— in the initial application before it was abandoned a claim comparable in scope to the claims of the '710 patent was deemed allowed. Likewise, additional claims comparable in scope to the claims of the '710 patent were presented to the Patent Office in the early stages of the chain leading to the '710 patent.

— not until the filing of the application for the '710 patent in November of 1983 did a claim comparable in scope to these early claims reappear in the chain.

— following the finding of infringement in *Bott I*, and in reliance on the fact that Bott did not assert any claim to a nonremovable rack in the chain, Four Star legitimately designed around the '658 and '471 patents by developing a nonremovable rack so that it could continue to do business with AMC.

The parties stipulated to most of the facts at trial. Disputed and determinative on the issue of equitable estoppel are: (1) Bott's conduct in the Patent Office in prosecuting the chain and the manner in which Bott conducted *Bott I*; (2) Four Star's knowledge of Bott's conduct; (3) Four Star's reliance on Bott's conduct; and (4) Four Star's right to rely on Bott's conduct.

B.

Equitable estoppel is a factually dependent affirmative defense. Fed. R. Civ. P. 8(c); 28 Am. Jur. 2d, *Estoppel and Waiver* §§135, 141-42 (1966). As explained by Chief Judge Pratt, to work an estoppel a defendant must show, in addition to laches, that it was misled in some fashion by the plaintiff by either misrepresentation, affirmative acts of misconduct, or intentionally misleading silence. *MGA Inc. v. Centri-Spray Corp.*, 639 F. Supp. 1238, 1244 [1 USPQ2d 1308, 1311] (E.D. Mich. 1986) citing *Watkins v. Northwestern Ohio Tractor Pullers Ass'n, Inc.*, 630 F.2d 1155, 1160 [208 USPQ 545, 549] (6th Cir. 1980), and

TWM Mfg. Co., Inc. v. Dura Corp., 592 F.2d 346, 350 [201 USPQ 433, 436] (6th Cir. 1979); *see also Dickerson v. Colgrove*, 100 U.S. 578 (1879).

[1] Given the history of the '710 patent and the development of Four Star's nonremovable rack, I cannot say that Four Star was misled by Bott's conduct. Four Star knew or should have known that Bott was likely in a position to obtain a patent on a nonremovable rack at the time it attempted to design around the '658 and '471 patents. However, egregious may have been Bott's prosecution of the chain of patents since 1974, Four Star has not established its right to rely on Bott not applying for and receiving a patent on a nonremovable rack having a 1974 priority date. The patent statute, 35 U.S.C. §§120 and 121, as well as the rules of the Patent Office, particularly Rule 60, 37 C.F.R. §1.60, permit the chaining of applications, abandonments, continuations, and divisions present here without limitation as to number.

The rule that applications may be chained in the Bott manner is not new. *See* William C. Robinson, *The Law of Patents for Useful Inventions* § 581 (1890) (substituted applications are continuations of the original and bear its date). Nothing in the case law is to the contrary. *See, e.g., Hughes Aircraft v. United States*, 717 F.2d 1351 [219 USPQ 473] (Fed. Cir. 1983) (amendment of claims is a common practice; the effect of an amendment may or may not be fatal to application of a range of equivalents broad enough to encompass an accused product); *Square Liner 360°, Inc. v. Chisum*, 691 F.2d 362 [216 USPQ 666] (8th Cir. 1982) (a proper continuation application and its parent are considered parts of the same transaction and constitute one continuous application); *Application of Hogan*, 559 F.2d 595 [194 USPQ 527] (C.C.P.A. 1977) (rights under patent law are questions of statute and not natural rights), quoting *United States v. American Bell Telephone Co.*, 167 U.S. 224, 247 (1897); *Application of Henriksen*, 399 F.2d 253 [158 USPQ 224] (C.C.P.A. 1968) (there is no arbitrary limit to the number of

prior applications through which a chain of copendency may be traced to obtain the benefit of the filing date of the earliest application in the chain provided that all of the other statutory conditions are met); *Ex parte Hull,* 191 U.S.P.Q. 157 (P.T.O.B.A. 1975) (the number of continuation applications to avoid divulging a basic invention is not determinative of legality; it is the overall conduct of the applicant that is determinative); *see also* 2 D. Dunner, J. Gambrell, M. Adelman, C. Lipsey & B. Lewris *Patent Law Perspectives* §3.5[1], at 3-42.1 -.4 (2d ed. 1980) (discussion of public review of a file history and subsequent action).

Four Star's reliance on *Webster Electric Company v. Splitdorf Electric Company,* 264 U.S. 463 (1924), is misplaced. There, the Supreme Court dealt with a patent holder's conduct in the Patent Office and consequences that "subvert[ed] . . . [the] limitations [of the patent law, which brought] about an undue extension of the patent monopoly against private and public rights." *Id.* at 466. More particularly, in *Webster* the claims at issue were presented for the first time to the Patent Office by an amendment to a divisional application eight years and four months after the filing of the original application. The patent holder originally did not intend to assert the claims; the intention to do so was not entertained until three months before the patent-in-suit issued. *See* 283 F.83, 94 (7th Cir. 1922). During all the prior time, the subject matter of the claims was disclosed and in general use. The patent holder simply stood by and awaited developments. This was a case of unreasonable delay and neglect on the part of an applicant in bringing forth claims broader than the claims originally sought. The effect of enforcing the claims was an extension of the monopoly. Since there was no reason not to describe the subject matter of the claims substantially earlier in the chain, even in the original application, the patent was held invalid. Here, Bott's eleventh-hour filing of a terminal disclaimer, as will be described, on the '710 patent (in response to Four Star's motion for summary judgment) eliminates any "undue extension

of the patent monopoly." *See also Bott I,* 218 U.S.P.Q. at 372 n.77.

III.

My findings, together with the conclusions expressed in this opinion, constitute the findings of fact and conclusions of law required by Fed. R. Civ. P. 52 (a). The findings, based on the stipulated facts, the testimony and exhibits at trial, as well as my judicial notice of the proceedings in *Bott I,* are divided into two parts: the history of the '710 patent and the history of Four Star's efforts to develop a nonremovable rack. In making these findings, I have considered the ability and opportunity of each witness to observe the matters about which the witness testified, the manner of each witness while testifying, the interest, bias or prejudice, if any, of each witness, and all the other evidence in the case in determining credibility and the weight to be given to the evidence.

A. History of the '710 Patent

1. On July 8, 1974, Hugh Harness of Harness, Dickey & Pierce prepared and filed on behalf of Bott S.N. 486,415. Claim 15 in the application was comparable in scope to the claims of the '710 patent.

2. H. Keith Miller assumed responsibility for Bott's patent work in 1975 when Harness left the practice of law. Miller, on behalf of Bott, on March 15, 1976, filed an amended Claim 15. This claim was deemed allowable by the Patent Office on June 22, 1976.

3. Earlier, on November 6, 1974, an amendment to S.N. 486,415 included new Claims 19 and 24 that were broader in scope than the claims of the '710 patent. Claims 19 and 24 defined a rack in a sufficiently broad manner to read on Four Star's nonremovable rack and did not include the words " 'remov-

able' or 'detachable' or the like."* Claims 19 and 24 were amended on March 15, 1976 and were rejected on June 22, 1976.

4. On November 22, 1976, Miller had a choice of allowing S.N. 486,415 to issue with a limited number of claims or abandoning it. Miller chose to abandon the application and file a continuation application. Miller saw no useful purpose in having a patent for a rack issue at that time. While Miller stated he wanted to prosecute an application using his own claim format, Miller was primarily motivated by a concern that the statutory seventeen-year period would begin to run when Bott had no competition and had no commercial need for a rack embodying his invention. Miller viewed his reasons for abandonment as a permissible practice.

5. On November 22, 1976, Miller, on behalf of Bott, prepared and filed a continuation application, S.N. 743,602, prior to abandoning S.N. 486,415. Claims 19 and 21 of the application lacked limitations addressed to removability. There is no testimony explaining the boundaries of Claims 15, 19, and 24 of the first application or Claims 19 and 21 of the second application, or how these claims relate to each other or to the claims of the '710 patent other than as stated above.

6. On December 21, 1977, following Bott's awareness of Four Star's activities at Ford Motor Company (Ford), Bott filed a Petition to Make Special as explained in *Bott I,* 218 U.S.P.Q. at 360 & n.11, 374. Following a meeting with an examiner, Miller, on behalf of Bott, filed an amendment to S.N. 743,602 cancelling the pending claims, 19-39, and adding three new claims more limited in scope to a removable rack and covering the Four Star rack that Bott had seen at Ford. The examiner had advised Miller that these new claims, 40-42, would be deemed allowable if a terminal disclaimer were filed. Miller does not recall discussing

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*This language comes from the statement of undisputed facts (No. 29) filed by Four Star.

the cancelled claims or why he gave up (at least temporarily) a claim that had been deemed allowable. In the amendment, Miller said:

> It is to be noted that the applicant's canceling of claims 19-39 has been made without prejudice toward the applicant's filing one or more voluntary divisional applications toward the subject matter not specifically claimed in claims 40-42 and additionally, the Examiner has indicated that the applicant's attorneys are entitled to file dependent claims which further define the applicant's invention, in the immediate future.

The '658 patent issued on July 11, 1978.

7. Thereafter, Miller, on behalf of Bott, filed a series of continuation applications or divisionals in a direct line, all having July 8, 1974 as the basis of a claim of priority, as follows:

Serial No.	Date Filed	Type	Patent No.	Date
924,072	7/07/78	Divisional	4,182,471	1/8/80
56,373	7/10/79	Abandoned		
242,138	3/09/81	Abandoned		
485,859	3/09/83	Continuation	4,440,333	4/3/84

8. In addition, the following patent activity by Bott took place along collateral lines with July 8, 1974 as the basis of a claim of priority:

Serial No.	Date Filed	Type	Patent No.	Date
604,643	8/14/75	Continuation in Part of S.N. 486,415	4,055,284	10/25/77
779,521	3/21/77	Division of S.N. 604,643	4,170,332	10/9/79
56,154	7/10/79	Division of S.N. 924,072	4,295,587	10/20/81
443,024	11/19/82	Continuation of S.N. 242,138	4,427,141	1/24/84
485,858	4/18/83	Continuation of S.N. 242,138	4,431,123	2/14/84

9. On November 23, 1983, Miller, on behalf of Bott, filed S.N. 554,683 as a continuation of S.N. 485,859. This is the first application in the chain that included broad claims, comparable to Claim 15 in S.N. 486,415 and Claims 19 and 21 in S.N. 743,602, covering a nonremovable rack. Bott himself knew of no reason for the delay. He relied completely on his lawyers and placed no restrictions, financial or otherwise, on them. The first time Bott discussed with anyone the nonremovable rack was when he saw Four Star's AMC rack. It is Miller's view that the delay was simply a matter of priorities; other matters were more pressing. Market circumstances dictated Miller's priorities; since there was no pressing need to obtain coverage on a nonremovable rack, an application for such an embodiment was not filed. Four Star's inevitable design-around effort was likely a factor in Miller's decision in proceeding with S.N. 554,683. Miller also knew it would be advantageous to Bott to be in a position where a new application could be filed.

10. Miller and Jeffrey Sadowski, Miller's partner who worked on Bott patent matters, knew in September of 1983 that the claims of the three patents issued in early 1984 had been allowed. They then sat down to write S.N. 554,683. Precisely when Miller and Sadowski began to work on the application is not clear. Neither of them can remember the exact date, and they have no office records to assist them. (Throughout, Miller's memory and Harness, Dickey & Pierce's records leave much to be desired. Miller's lack of memory and the absence of corroborative office records are inconsistent with the generally meticulous manner in which patent law firms and lawyers traditionally operate.)

11. Miller testified (T89):

> Q. You wanted to get claims which would hopefully block them [Four Star] in as many of those ways as possible, is that correct?

A. I'm sure that was a consideration. It wasn't a predominant one. There was invention there and we thought it was a good invention that we ought to try and protect before the entire prosecution came to a close.

12. Claims 19-39, which were cancelled in S.N. 743,602 on December 21, 1977, reappeared in subsequent applications for such features as eyelets and end caps, slot structure and configuration of the grooves, as well as locking mechanisms. Nonremovability was the last feature of the cancelled claims that Bott, through Miller, elected to pursue even though a nonremovable rack encompasses the broadest claims in the chain following the initial application.

13. The ancestral tree of the '710 patent is displayed in Dx1; the direct ancestry part is displayed in attached Exhibit A [omitted]. Dx1 demonstrates the prolific nature of Bott's patent activity with regard to roof racks as well as the particular nature of the applications and patents in the ancestral tree. As seen from Exhibit A, patents issued to Bott having July 8, 1974 as the basis of a claim of priority as follows:

Patent No.	Date
4,055,284	October 25, 1977
4,099,658	July 11, 1978
4,170,322	October 9, 1979
4,182,471	January 8, 1980
4,295,587	October 20, 1981
4,427,141	January 24, 1984
4,431,123	February 14, 1984
4,440,333	April 3, 1984

As each patent was issued, its file wrapper, as well as the file wrappers of applications of abandoned applications not previously available, became available for public inspection.

14. While the ancestral history, as it became available prior to the issuance of the '710 patent, disclosed no attempt by Bott to

assert claims for a nonremovable rack, it also disclosed that Bott was continuing to keep the chain of applications alive to maintain the July 8, 1974 priority date for various embodiments of his basic invention.

15. The '710 patent issued on May 14, 1985. It included a terminal disclaimer for the term beyond U.S. Patent No. 4,440,333 issued to Bott on April 3, 1984. This case was filed January 14, 1986. Four Star filed a motion for summary judgment on July 2, 1986 on the ground (among others) of double patenting against the '658 and '471 patents. Bott's response to the motion on July 15, 1986 indicated he was filing a terminal disclaimer (actually filed with the Patent Office the next day) disclaiming the term beyond an earlier Bott patent, U.S. Patent No. 4,015,760 issued on April 5, 1977. The terms of the '658 and '471 patents were previously disclaimed by Bott beyond the expiration of the term of this patent. Therefore the term of the '710 patent expires on April 5, 1994. The belated filing of the terminal disclaimer does not injure Four Star. (See transcript of August 22, 1986 argument of Four Star's motion for summary judgment.)

16. In summary, between December 21, 1977 and November 23, 1983, a period of six years, Miller, on behalf of Bott, filed at least seven patent applications relying for priority on July 8, 1974, the original filing date, and claiming various aspects of racks as described above. None of these applications contained claims that were comparable in scope to the claims of the '710 patent in the manner described in paragraph 3 above. Four of these applications resulted in issued patents. The file histories contain no explanation for the hiatus.

B. History of Four Star's Nonremovable Roof Racks

1. In January of 1983, following completion of the proofs on liability in *Bott I,* I notifed the parties that I intended to find that the '658 and '471 patents were valid and infringed by the

removable racks being manufactured by Four Star. At that time, AMC was Four Star's principal customer for racks. On April 11, 1983, I issued my opinion describing in detail my findings and conclusions including particular emphasis on the removability feature of Bott's invention. I stated: "Its essential features are its attractiveness, adjustability and removability." 218 U.S.P.Q. at 365. I then entered an order staying injunctive relief. This allowed Four Star to continue business with AMC. Four Star appealed.

2. The AMC business was important to Four Star. Four Star, as to be expected immediately began an effort to design around the '658 and the '471 patents. In the spring of 1983, Ernie Brooks, Four Star's attorney in *Bott I,* suggested that a nonremovable rack likely would not infringe. Brooks had an awareness of the file histories of the '658 and the '471 patents and was generally aware that more than one claim in the prosecution history not limited to a removable configuration had been cancelled. Brooks, however, had no specific recollection of the cancellation of any particular claim, and there is no evidence that he reexamined the available file wrappers in the chain prior to making his suggestion. (See Paragraph 10 below.)

3. On September 23, 1980 in *Bott I,* Bott answered an interrogatory as follows:

INTERROGATORY [29] (s)

> Identify all other patents and patent applications (worldwide) owned or controlled by the Plaintiff or any company identified in response to 1(a) above relating to the subject matter of the Patents, irrespective of when, where and by whom filed.

RESPONSE:

> Objection is made to the above interrogatory as irrelevant, outside of those already identified in Interrogatory 2(n) above, and unduly burdensome and oppressive to compile

and identify, particularly in light of the lack of relevance thereof.

4. The interrogatory was proper. The answer was dissembling. Four Star did not follow up on the answer. Information as to pending patent applications is important in patent litigation: such applications may contain admissions. The information is not privileged. While a proper answer would not have disclosed a pending application for a nonremovable rack, it would have disclosed a continuation in the chain of applications and that there had been no follow-up to Claim 15 of S.N. 486,415 or Claims 19 and 21 of S.N. 743,602. On the other hand, by September 23, 1980, Bott had already received four patents tracing their ancestry to S.N. 486,415 and Four Star had no right to assume that the chain of applications had come to an end. The answer to the interrogatory in fact suggested that the chain was continuing.

5. On November 21, 1983, Brooks wrote Four Star that affirmance of my decision by the Court of Appeals for the Federal Circuit was likely and urged Four Star to continue its efforts on a nonremovable rack.

6. By March of 1984, Four Star had made substantial progress in persuading AMC to accept a nonremovable rack. AMC had concerns over the use of a nonremovable rack; because of an indemnity from Four Star, it had no concerns over infringement.

7. In March of 1984, Four Star received an infusion of new capital of approximately $2.4 million in the form of stock and loans. The financing documents included the opinion of unidentified counsel that referenced the appeal in *Bott I:*

> Should the Company lose the appeal, it will be enjoined from producing and selling the Fiat Rack. The customer has authorized modifications to the Fiat Rack which the Company believes would eliminate any infringement upon Bott's

> patents. The customer would continue to purchase the Fiat Rack, as modified. Monetary damages are yet to be determined, but the Company has made provision for payment of same should it be necessary. See Financial Statements for Year Ended August 31, 1983, notes 1 and 11.

This was an unrealistic view of Four Star's situation at the time. Footnote 11 shows that Four Star reserved a relatively modest amount for a possible damage award. This suggests Four Star believed its liability as an infringer likely would be limited to being required to pay a royalty on infringing sales in the area of three percent.

8. On March 21, 1984, the Court of Appeals for the Federal Circuit affirmed my decision, noting: "The article carriers can be removed to leave only unobtrusive low profile slats. . . ." The opinion was equivocal since it recognized the possibility of a continued claim by Bott of infringement, presumably on grounds of equivalents. On April 12, 1984, Brooks for the first and only time gave Four Star a written opinion on the nonremovable rack stating that Four Star was "safe in relying on limitations in the claims requiring 'removable' cross rails."

9. Brooks, in his opinion, did not mention the file wrapper histories of the Bott patents. He was satisfied that the 1974 application had yielded all it could. He testified (T 123):

> Q. Are you saying that at that time in '83 you assumed that Bott was no longer pursuing claims to the nonremovable rack?
>
> A. Allen, I didn't assume it. I knew it. I was wrong, obviously. I haven't checked to see where I was in error. I knew there was nothing continuing. I wasn't told of it. I didn't get it in discovery. I was never apprised of any continuing requirements. You go back to the question of the common invention, the two patents on one invention were enough, in my view, and surely if there had been three or

four or something continuing I would have been given it in discovery, and it was with that record and that confidence that I knew there had been nothing else. I looked. We asked for production. We had never been given anything but I was wrong.

Q. You were wrong in assuming that the answer you got to your request for production indicating that there was nothing relevant pending?

A. I haven't figured out where I was wrong. I was wrong in my understanding that there could be no further patent of a different scope.

10. Brooks was not aware of any further Bott patents, including the three patents issued in January, February, and April of 1984, which trace their ancestry to the 1974 application. Additionally, Brooks had no recollection that the Patent Office had once approved a claim comparable in scope to the nonremovable rack that Four Star intended to sell AMC. Brooks's specific testimony on his recollection follows:

I was aware of the fact that more than one claim, and claim 21 is one of them, were not limited to removable configuration. Those claims were all cancelled. (T 111-112)

. . . .

I don't have a specific recollection at this time on the cancellation of any claim at the time of the design around. . . . My understanding with respect to all of the claims that had been cancelled was that the cancelling was a prerequisite to the grant of the two patents that it litigated. (T 117)

. . . .

Q. Do you have any recollection, taking into account your opinion of Exhibit 18 that the patent office had already granted claims of the scope of the . . . modified rack that you were offering to AMC?

A. No, I don't have any such recollection. (T 161)

Brooks was knowledgeable about late claiming and abusive Patent Office practice. This defense was raised in *Bott I*. *See* 218 U.S.P.Q. at 372 n.77, 374-76.

11. In May of 1984, Bott first learned of Four Star's intentions to sell a nonremovable rack to AMC. At that time in discussing settlement of *Bott I,* Bott and Four Star talked about a license to Four Star under the '658 and '471 patents. Bott took the position that a nonremovable rack literally and by equivalents infringed the '658 and '471 patents. Bott, in his discussion with Four Star, did not mention his pending application for a patent on a nonremovable rack.

12. Four Star began deliveries of its new rack to AMC in June of 1984. On September 18, 1984, following a breakdown of the settlement negotiations, the stay of injunctive relief against Four Star was lifted. On October 12, 1984, Bott filed a motion in *Bott I* to hold Four Star in contempt on the sale of the nonremovable rack to AMC on the ground that all Four Star did in designing around was to install a "modified removable end cap." On February 26, 1985, I denied the motion. Bott said nothing in the course of the contempt proceeding regarding his application for a patent on the nonremovable rack.

13. On December 28, 1984 during the contempt proceeding (and prior to any determination of damages), Four Star obtained an additional $750,000 infusion of capital in the form of loans. As part of the financing, Four Star received a brief opinion by Bernard Cantor (Cantor), the attorney then representing it in the contempt proceeding and the damage phase of *Bott I*, to the effect that the manufacture and sale of the new rack "does not infringe" on Bott's '658 and '471 patents and "is outside of the scope of the injunction." The opinion related to a nonremovable rack held in position by a metal stake and not to the form of rack being sold to AMC, which was held in place by torx-headed screws.

14. There is no evidence that Cantor examined the file histories of the previously issued Bott patents or had any familiarity with S.N. 486,415 or S.N. 743,602 or took into account the possibility that a continuation application was pending in the Patent Office. Cantor did not testify at trial.

15. Ralph Mandarino (Mandarino) has been the chief executive officer of Four Star since September of 1982. He was continuously briefed on the progress of *Bott I* since that date and directly involved in the Four Star-AMC relationship. At no time was continuation practice in the Patent Office explained to him. Mandarino was satisfied that as long as Four Star manufactured and sold a nonremovable rack to AMC it would escape a charge of infringement. Mandarino knew that Brooks had advised him of the likelihood of Bott asserting that Four Star's new rack infringed the '658 and the '471 patents.

16. Mandarino believed that Four Star's risk on being found to infringe in its manufacture and sale of the nonremovable rack was to pay in the area of three percent royalty on sales. Since Four Star was making in excess of twenty percent on its sales to Four Star, the risk was worth taking. Mandarino took the same approach in continuing infringing sales to AMC after Four Star was found to be an infringer in *Bott I* and particularly in the March-June, 1984 period after affirmance of my opinion in *Bott I* by the Court of Appeals.

IV.

It should be remembered that the trial under the December 18, 1986 order was not a trial on the issues of double patenting, file wrapper estoppel, abandonment, or intentional delay of prosecution. While the evidence may warrant a finding of intentional delay based on circumstantial evidence that Miller purposefully prolonged the chain, such a finding is not the same as a finding that Four Star has established an equitable estoppel.

Four Star had the right to design around the '658 and the '471 patents. 2 Peter D. Rosenberg, *Patent Law Fundamentals*

§ 14.09 (2d ed. 1986). Four Star argues that in the course of its effort to design around, Four Star knew from the file histories that Bott had originally filed claims without the removability feature, had cancelled them and not resubmitted claims of comparable scope in succeeding applications, and that no patent issued to Bott covering the nonremovable rack in nine years. However, Four Star did not carry its burden in proving this or, that if it did know, it relied on Bott's conduct. What the proofs show is that Four Star did not pay any significant attention to the file histories of the Bott patents. It did not prove that its attorneys examined the file histories to come to a reasoned conclusion that Bott had abandoned any effort at obtaining a patent on a nonremovable embodiment of his invention. What the proofs show is that Four Star's attorneys ignored the likelihood that after the issuance of the '471 patent the chain continued.

Whatever the importance to the proper operation of the patent system of the public being able to determine the limits of the protection granted to a patentee by denying a patentee the right to cancel broad claims and then reassert them many years later in a continuing chain, as argued by Four Star, that public policy issue is not for me to decide at this time. Also, the public policy issues implicated by the defense of intentional delay are not for me to decide now. The question faced by Four Star in its design-around effort was not the limits of protection afforded Bott by his issued patents but whether Bott was in a position to obtain a patent on a nonremovable rack. He was. Four Star ignored this possibility even though there were "footprints in the sand." Robinson Crusoe knew of Friday's presence even though he could not see him; Four Star should have known of the likelihood of the '710 patent even though it was not aware of S.N. 554,683.

Bott shall submit an appropriate form of judgment on notice.

The deputy clerk shall schedule a status conference to determine the future course of this case.

Memorandum and Order on
Plaintiffs' Fed. R. Civ. P. 41(b) Motion

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

JOHN A. BOTT and
JAC PRODUCTS, INC.

Plaintiffs,

Civil No. 86-CV-70176

v.

FOUR STAR CORPORATION,

Defendant.

MEMORANDUM AND ORDER ON PLAINTIFFS' FED. R. CIV. P. 41(b) MOTION

I.

This is a patent infringement case. As reflected in the Joint Pre-Trial Statement entered August 10, 1987, defendant Four Star Corporation (Four Star) admits infringement by its modified AMC Rack of Claim 1 of plaintiff John Bott's (Bott) U.S. Patent No. 4,516,710 ('710 patent) and affirmatively defends against the enforceability and validity of Claim 1 on the ground of:

A. Obviousness;

B. Purposeful delay in the prosecution of the applications that resulted in the '710 patent so that new claims could be added to meet commercial developments in the field long after the filing of the initial application and to delay the onset of the 17-year period of patent protection;

C. Claims of a scope comparable to those of the '710 patent were not asserted for more than two years after issuance of another patent to Bott disclosing the invention defined by those claims;

D. Breach of the duty of candor in the prosecution of the applications which resulted in the '710 patent; and

E. The '710 patent claims an invention that would have been obvious over previous patents issued to Bott, and when these patents issued, they failed to contain a terminal disclaimer.

Four Star presented proofs on these defenses during five days of trial to the bench between August 11 and August 17, 1987. At the conclusion of Four Star's proofs, the Court granted plaintiffs' Fed. R. Civ. P. 41(b) motion on Four Star's defenses, with the exception of the defense of obviousness, and stated its reasons for the ruling. As to the obviousness defense, the Court declined to render any judgment until the close of all the proofs. This memorandum now supplements the stated reasons for granting plaintiff's motion.

II.

On August 25, 1986 the Court denied Four Star's motion for summary judgment brought on the grounds of invalidity and unenforceability due to double patenting, abandonment and intentional delay of prosecution. The reasons were stated on the record at a hearing held on August 22, 1986. Essentially, the Court found that the factual record was inadequate to support the motion. The Court did rule, however, that the terminal disclaimer dated July 14, 1986, which disclaimed the terminal part of the '710 patent extending beyond the expiration date of Bott's '760, '658 and '471 patents, resolved any question of double patenting. There is no reason to re-examine this ruling, which is consistent with the Court's ruling in the first case between the parties, *Bott v. Four Star Corp. (Bott I)*, 218 U.S.P.Q. 358, 376 (E.D. Mich. 1983). Cases discussing double patenting ante-dating *In re Robeson*, 331 F.2d 610 (C.C.P.A. 1964), must be carefully read, since they invariably implicate an unlawful extension of the monopoly

contrary to the public interest. See Kirk, *Double Patenting And The Terminal Disclaimer,* 55 J. Pat. Off. Soc'y 28 (Jan. 1973).

While the current record enlarges on Bott's activities in the hiatus between the initial assertion of a claim describing a non-removable cross member and the issuance of the '710 patent, these activities do not offer a basis for holding the '710 patent unenforceable or invalid. The circumstances of the prosecution of the '710 patent were fully described in the Bench Opinion of February 23, 1987. It now appears that in addition to Four Star's commercial activities, Bott's prosecution following the initial application in 1974 was affected by the commercial activities of AMCO and Huron-St. Clair, two additional competitors of Bott. Again, this was an issue confronted in *Bott I,* and Four Star has cited no law to support its assertion that Bott's response to commercial development renders the '710 patent invalid or unenforceable. *See Bott I,* 218 U.SP.Q. at 374. On the contrary, it appears that chaining applications is an accepted mode of conduct where immediate issuance of a patent is of no commercial advantage to an applicant.* *See* Sperber, *The Strategy Of Delaying And Expediting Patent Prosecution,* 52 J. Pat. Off. Soc'y 141 (Mar. 1970); Sperber, *Intellectual Property Management,* in 3 *Intellectual Property* # 4.02 (1982).

As for breach of the duty of candor, that issue was resolved against Four Star in *Bott I,* 218 U.S.P.Q. at 374, and cannot now be relitigated. *Detroit Police Officers Ass'n v. Young,* No. 85-1120 (6th Cir. July 29, 1987). Moreover, in stipulating to a protective order in *Bott I,* Four Star expressly agreed that pending patent applications were not discoverable. (*See* Order of May 13, 1981 in No. 79-CV-71438).

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* For an example of the kind of conduct necessary to render a patent unenforceable because of inequitable conduct, see *Hemstreet v. Burroughs Corp.,* 2 U.S.P.Q.2d 1001 (N.D. Ill. 1987), *reh'g denied,* # 81-C-6412 (July 10, 1987).

Mem
Plaintiffs' I

Accordingly, plaint
defenses recited in para
Trial Statement entered
ground that upon the facts
right to relief.

SO ORDERE

DATED: SEP 02
Detroit, Michigan

A TRUE COPY
BY /s/ JUDY CASSADY
Deputy Clerk

Memorandum

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

JOHN A. BOTT and
JAC PRODUCTS, INC.

Plaintiffs,

v.

Civil No. 86-CV-70176

FOUR STAR CORPORATION, a
Michigan corporation,

Defendant.

MEMORANDUM

I.

This is a patent infringement case. The sole issue before the Court is the enforceability and validity of Claim 1 of plaintiff Jack Bott's (Bott) U.S. Pat. No. 4,516,710 (the '710 patent). Defendant admits infringement by its modified AMC Rack of Claim 1 of the '710 patent. On February 23, 1987 I rendered a bench opinion finding in favor of plaintiffs on defendant's defense of equitable estoppel. On August 10, 1987 I rendered an opinion finding in favor of defendant on plaintiffs' claim that the modified AMC Rack infringed by equivalence Bott's U.S. Pat. No. 4,099,658 (the '658 patent) and U.S. Pat. No. 4,182,471 (the '471 patent). On September 2, 1987 I issued a memorandum supplementing my reasons stated on the record on August 17, 1987 for dismissing defendant's defenses of purposeful delay, breach of the duty of candor and the others, with the exception of the defense of obviousness. Fed. R. Civ. P. 41(b). Earlier, on April 11, 1983 in *Bott v. Four Star Corp. (Bott I)*, 218 U.S.P.Q. 358 (1983), *aff'd mem.*, 732 F.2d 168 (Fed. Cir. 1984), I found the '658 and '471 patents valid and infringed by defendant's AMC Rack. These prior opinions and memoranda adequately describe the background of the issue presently before the Court, particu-

larly because the '710 patent contains the same disclosure as the '658 and '471 patents.

The issue of obviousness was tried to the bench between August 11 and August 19, 1987. On August 19, 1987 I found for plaintiff and stated my reasons on the record. Fed. R. Civ. P. 52.* This memorandum is intended to restate and supplement the reasons stated in the bench opinion.

II.

I am satisfied that defendant did not carry its burden of establishing by clear and convincing evidence that the '710 patent is invalid for obviousness. 35 U.S.C. § 103; *see Simmons Fastener Corp. v. Illinois Tool Works,* 739 F.2d 1573 (Fed. Cir. 1984). Given the close relationship between the '658 and '471 patents and the '710 patent, a substantial portion of the findings in *Bott I* are appropriate to these findings. The Abstract fairly describes Bott's carrier. 218 U.S.P.Q. at 360. Bott's inventions as disclosed in the '658 and '471 patents were narrow improvements in a crowded art, 218 U.S.P.Q. at 361, in that Bott's carrier represented a significant change in configurations and operation of article carriers and was beyond common place imagination. The same conclusion applies here.

The BACKGROUND OF THE INVENTION, 218 U.S.P.Q. at 363-64, reads in part:

> In my prior U.S. Pat. No. Re. 26,539, I disclosed a luggage carrier having cross bars which can be adjusted to accommodate loads of varying size. This construction has achieved significant commercial success. Nevertheless, some problems have been experienced in shaping this type of luggage carrier to the carrying of certain types of loads, including skis. While this type of carrier does provide an

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* There is no need to discuss the law applicable to the defense of obviousness. It is fully discussed in *Bott I. See* 218 U.S.P.Q. at 369-72.

> improved degree of flexibility in its use, it is believed that a need exists for a luggage rack which has the attractive appearance of modern permanently mounted luggage carriers but which possesses a degree of removability

The same applies here.

The current invention, while involving a narrower structure than the structures reflected in the claims of the '658 and '471 patents because of the absence of removability and T-slotted slats, has the same virtues of attractiveness and adjustability. *See* 218 U.S.P.Q. at 365.

For a long time, carrier designers sought to provide effective load supporting carriers with an aesthetically pleasing appearance. Nothing in the prior art combined the features of permanently positioned low profile slats with components that were easily removed and aesthetically pleasing. 218 U.S.P.Q. at 365. Bott was the first to do so. With the '710 patent, that description of Bott's achievement need only be modified to say that nothing in the prior art combined the features of permanently positioned low profile slats with components that are adjustable and have an aesthetically pleasing appearance.

The definition of the term "slat", or "slat-like", as used in Claim 1 of the '710 patent was stated in *Bott I,* 218 U.S.P.Q. at 367. Important to the definition is the reference in footnote 34 of *Bott I* to Px33A, here Px3 (Ford slat drawing). The failure of the witnesses at trial, who opined that the side rails of the conventional form of carrier are the equivalent of "slats," to have examined Px3 substantially diminishes the credibility of their testimony and the weight to be accorded it.

This case boils down to whether Claim 1 of the '710 patent is obvious over the *Fitch* and *Stephen* references relied on by defendant, i.e., U.S. Pat. No. 3,181,753 issued to J.C. Fitch on May 4, 1965 and U.S. Pat. No. 3,362,642 issued to James Stephen on November 30, 1971. In *Bott I,* 218 U.S.P.Q. at 368, I

described *Stephen*. There is nothing in the record to suggest a change in that description. *Stephen* has a limited teaching; *Fitch's* teaching is even more limited.

The question, then, is whether it would be obvious to one skilled in the art, reading *Fitch* and *Stephen*, to come up with Bott's invention as expressed in Claim 1 of the '710 patent. The evidence at trial does not support such a finding in favor of defendant that is clear and convincing, particularly in light of the fact that *Fitch* and *Stephen* were before the Patent Office at the time the '710 patent issued.

In other words, there was no prior art cited at trial beyond that available to the Patent Office and, indeed, certain of the patents before the Patent Office were as relevant or more relevant than *Fitch* and *Stephen*, particularly patents covering the conventional forms of carriers reflected in Dx30. (*See* Fig. 14 of Bott's U.S. Pat. No. 3,253,785 in the Appendix to the slip opinion in *Bott I*). Working off slats is different than working off fixed side rails.

Fitch does not disclose slats and does not have a low profile. It has no first fastening means associated with slats. There are no pair of article supporting members to sustain cross bars. The ribs in the second embodiment of *Fitch* are an integral part of the deck lid; they are embossed in sheet metal. *Fitch* also discloses a series of holes with a welded nut under each hole for attaching the cross bars.

Stephen does not disclose slats. There is no teaching that the upper supporting members are loadbearing, and there is no slideability. There is only rough adjustability to fixed positions.

Slideability, it is true, is part of the conventional form of carrier which uses fixed side rails. The conventional form is still in use.

While the witnesses, John Fitch, Gerald Skrceny and Noel Leesch, are skilled in the art, some more than others, none of

them expressed an opinion on the obviousness of the '710 patent. None of them explained how slideability was to be obtained in Stephen's side rail. The '710 patent defines a structure which includes a slat, a slideable article supporting element and cross members. There was no testimony at trial that this form of structure would be obvious to a person skilled in the art from a study of *Fitch* and *Stephen*; that is, if a person skilled in the art studied *Fitch* and *Stephen* carefully, he would come up with Claim 1 of the '710 patent and the structure it expresses.**

Beyond all this, defendant must contend with the commercial success Bott has achieved with his carrier. *See Simmons Fastener Corp.*, 739 F.2d at 1575. Bott's commercial success, coupled with the other matters I have described, shows that defendant simply has not sustained the substantial burden which the decisions of the Court of Appeals for the Federal Circuit impose in a challenge to validity on grounds of obviousness.

III.

I acknowledge that over the seven days of trial I more than occasionally expressed antagonism towards defendant's efforts. My familiarity with the history of the parties' efforts (I have been with them for almost eight years) fostered skepticism. I am satisfied that defendant has had every opportunity to present its case fully and fairly and to persuade me that Claim 1 of the '710 patent would have been obvious to a person skilled in the art circa 1974. Defendant's reliance on *Fitch* and *Stephen,* particularly in light of the breadth of the attack on the '658 and '471 patents in *Bott I,* was too narrow a reed on which to make a case.

Accordingly, we must move forward on the issue of damages. I am not disposed to enter a final, appealable judgment at this

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** Picking and choosing different features from previous prior art patents in an attempt to meet the limitations of Claim 1 as reflected in this record, including Dx28 and the testimony of Ernest Gifford, is not new to litigation between these parties. *See Bott I,* 218 U.S.P.Q. at 370-71.

time; to do so would raise collateral problems in view of defendant's Chapter 11 status. Also, defendant's counterclaim is yet to be adjudicated.

IV.

While defendant, finding itself for the second time an infringer on the same disclosure but of separate patents, may be unique in the history of patent litigation, it perhaps is due to a rather gutsy approach by defendant to competing with plaintiff in the carrier business. It may also result from a rather bold effort by plaintiff in chaining applications. My reading of *Bott I* and my various findings on terminal disclaimer, double patenting, and late claiming, etc., suggests that what is present here are phenomena allowed by a tolerant patent system. If such is not the case, it is up to some higher authority to say so.

(s) AVERN COHN
United States District Judge

DATED: SEP 16 1987
Detroit, Michigan

A TRUE COPY
BY (s) JUDY CASSADY
Deputy Clerk

Judgment on Liability with Injunction

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

JOHN A. BOTT, an Individual, and JAC PRODUCTS, INC., a Michigan corporation,

Plaintiffs,

vs.

FOUR STAR CORPORATION, a Michigan corporation,

Defendant.

Civil Action No. 86-CV-70176-DT

Honorable Avern Cohn

JUDGMENT ON LIABILITY WITH INJUNCTION

This action having come for trial before this Court, Honorable Avern L. Cohn, United States District Judge, presiding, and the issues having been duly tried and decisions having been duly rendered on February 23, July 8, 1987, September 2, 1987, and September 16, 1987, IT IS ORDERED AND ADJUDGED THAT:

1. This Court has jurisdiction over this action and all parties to this action and venue is proper in this Court.

2. Defendant Four Star Corporation, its officers, agents, servants, employees and attorneys, and all persons in active concert of participation with it or them, and their successors and assigns, be and they hereby are permanently enjoined from making, selling or delivering without the consent of plaintiffs any luggage carriers employing or making use of the invention or inventions embraced or covered by the claims of U.S. Patent No. 4,516,710 (including what has been designated as the "MODIFIED AMC RACK") and from infringing the claims of said patent in any way whatsoever and in any way directly or indirectly contributing to or inducing the infringement of said patent.

3. Defendant Four Star Corporation is ordered to account to Plaintiffs John A Bott and Jac Products, Inc., for damages with hearings on the matter of accounting and the award of damages set to commence on November 2, 1987.

4. There is no just reason to delay entry of this judgment pending further proceedings in this Court and it shall promptly be entered.

5. The injunction provided for in paragraph 2 is stayed until further order on the following conditions:

(a) That Defendant Four Star Corporation file a Notice of Appeal and promptly prosecute an appeal in the Court of Appeals for the Federal Circuit of this Judgment and in that Court immediately move to expedite the appeal; and

(b) That Defendant Four Star Corporation pay to the Clerk of the Court into an interest-bearing account within ten business days of the end of each month an amount equal to 5% of the monies received by Four Star in such month in payment for luggage carriers as defined in paragraph 2 hereof sold after October 31, 1987, such amount to be held by the Clerk of the Court in lieu of bond, to be paid to plaintiffs subsequent to the return of the mandate from the Court of Appeals for the Federal Circuit affirming the grant of an injunction in this cause or to be paid to defendant subsequent to the return of the mandate from the Court of Appeals for the Federal Circuit if reversal occurs. No funds paid into escrow shall be deemed to be part of the estate of the bankrupt in any bankruptcy proceeding unless reversal of the injunction occurs on appeal.

IT IS SO ORDERED.

Date: NOV 13 1987

(s) AVERN COHN
United States District Judge

APPROVED AS TO FORM:

For Plaintiffs:
(s) JEFFREY A. SADOWSKI

For Defendant:
(s) ALLEN M. KRASS

A TRUE COPY
Clerk, U.S. District Court
Eastern District of Michigan
BY (s) JUDY CASSADY
Deputy Clerk

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

JOHN A. BOTT and
JAC PRODUCTS, INC.
Plaintiff.

Civil No. 86-CV-70176

v.

FOUR STAR CORPORATION,
Defendant.

OPINION ON DAMAGES

I.

This is the accounting phase of a patent infringement case. On November 13, 1987 the Court entered a judgment on liability in favor of plaintiffs, the effect of which is to permanently enjoin defendant Four Star Corporation (Four Star) from manufacturing and selling its Modified AMC Rack to American Motors Corporation (AMC). The Modified AMC Rack uses the inventions covered by the claims of U.S. Pat. No. 4,516,710 (the '710 patent) owned by plaintiff John A Bott (Bott) and licensed exclusively by him to plaintiff Jac Products, Inc. (JAC). More particularly, in a series of decisions the Court rejected a variety of attacks by Four Star directed to the validity and enforceability of the '710 patent. Defendant has acknowledged that its manufacture and sale of the Modified AMC Rack infringes the '710 patent.

In an earlier case (*Bott I*), the Court found that Four Star's manufacture and sale of its AMC Rack infringed Bott's U.S. Pat. Nos. 4,069,658 (the '658 patent) and 4,1892,471 (the '471 patent). That case resulted in a $1,600,000 judgment in favor of

plaintiffs. The judgment caused defendant to file for reorganization under Chapter XI.*

The sole difference between the AMC Rack and the Modified AMC Rack lies in the configuration of the ends of the cross rails. In the Modified AMC Rack, end caps prevent the removal of the cross bars.

II.

A.

Trial was had on the accounting phase over two (2) days in early November of this year. For the most part, the facts were stipulated. Six (6) witnesses testified. Richard Wirth, the AMC employee in charge of purchasing luggage carriers, described the history of the AMC-Four Star relationship and the changeover by AMC from the AMC Rack to the Modified AMC Rack following affirmance of the Court's decision on infringement in *Bott I*. Don Potter, a sales engineer for JAC, described JAC's business relationship with AMC, including the sale of a luggage rack for the Jeep Cherokee Limited and JAC's ability to manufacture and sell the Modified AMC Rack. Ralph Mandarino, Four Star's President, described Four Star's financial condition, the impact of the judgment in *Bott I* and the importance of the AMC business to Four Star's viability. Michael Lindner, Four Star's Vice-President of Sales, attempted to establish the fact that skid strips for luggage racks can be purchased separately from the patented components. Richard Wetherhold, a technical specialist for AMC, described AMC's preliminary consideration of an alternative design for the Modified AMC Rack and some of AMC's purchasing practices. Gordon Smith, a manufacturer's agent, described an unsuccessful effort to sell AMC an alternative design and low-cost skid strips.

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* See 218 U.S.P.Q. 358 (E.D. Mich. 1983), *aff'd mem.*, 732 F.2d 168 (Fed. Cir. 1984) (liability), and 229 U.S.P.Q. 241 (E.D. Mich. 1985), *aff'd in relevant part*, 807 F.2d 1567 (Fed. Cir. 1986) (damages).

B.

Admitted as exhibits were a schedule of the components of the Modified AMC Rack which stated unit prices and quantities; a schedule of the total sales of the Modified AMC Rack to AMC by Four Star and pre-judgment interest rates; a license agreement between JAC and Masco Industries, Inc. for deck racks; and the patent-in-suit. Additional exhibits included correspondence, memoranda from AMC's files, AMC purchase orders and charges, an instruction sheet, a brochure and an engineering change request.

C.

Since Four Star's total sales of the Modified AMC Rack through August 30, 1987, JAC's incremented profits on the Modified AMC Rack before payment of a royalty to Bott, and the pre-judgment interest rates were stipulated, the only real issues at trial related to willfulness, the likelihood of JAC having made Four Star's sales of the Modified AMC Rack and the entire market value rule. Also, since there have been no significant changes in the substantive law of damages since the decisions in *Bott I,* except for the encouragement of stronger remedies for infringement, there was little discussion of the law at trial.

D.

The Court is satisfied that this case, except for the issue of willfulness, is merely a replay of *Bott I.* Consequently, JAC is entitled to a judgment on its loss of profits on Four Star's infringing sales of the Modified AMC Rack to AMC, including prejudgment interest. Bott's damages will be paid by JAC under the license agreement.

Given the extraordinary circumstances in which Four Star found itself on May 15, 1985, the date of the issuance of the '710 patent, it cannot be said that the infringing conduct was legally willful. *See* 35 U.S.C. § 284. Four Star should not be punished by

an increase in the actual damages suffered by plaintiffs. Likewise, an award of attorney's fees would be inappropriate under the circumstances. *See* 35 U.S.C. § 285.

III.

The Court finds:

1. In May 1982 AMC issued an open purchase order to Four Star for the AMC Rack. The order covered AMC's needs for its XJ and Eagle family of vehicles. The purchase order was not rescinded when AMC changed over to the Modified AMC Rack. Rather, AMC issued an engineering change providing for closed end caps which made the cross rails non-removable.

2. In the Fall of 1983, following the Court's decision on infringement in *Bott I,* Four Star began a design-around effort on the AMC Rack to avoid infringement of the '658 and '471 patents. AMC was not enthusiastic about a changeover to closed-end caps.

3. In February 1984 the Court of Appeals for the Federal Circuit affirmed the Court's decision in *Bott I* on infringement. In March 1984 AMC approved an engineering change to closed end caps. Four Star immediately began manufacturing the Modified AMC Rack.

4. In June 1984 Four Star first shipped the Modified AMC Rack to AMC. Four Star was reasonably satisfied that the Modified AMC Rack did not infringe the '658 or '471 patents. AMC was also satisfied.

5. In November 1984 plaintiffs sought to hold Four Star in contempt in *Bott I* on the ground that the Modified AMC Rack infringed the '658 and '471 patents. The Court held against plaintiffs in February 1985.

Opinion on Damages

6. The claims of the '710 patent were allowed on January 30, 1985. Four Star and AMC were so notified by Bott in February 1985.

7. In April 1985 the Joint Pre-Trial Statement for the accounting phase of *Bott I* was filed. Shortly thereafter the parties began discussing settlement. The discussions included the possibility of a license to Four Star. The discussions continued for several months.

8. In May 1985 the '710 patent issued. Plaintiffs did not notify Four Star of its issuance and did nothing to inhibit or prevent Four Star's infringing activities until January 1986, when this case was filed. Except for the February 1985 notice, plaintiffs took no action regarding AMC's infringing activities.

9. The accounting phase of *Bott I* was tried to the Court in August and September 1985. In December 1985 the Court issued a decision which ultimately resulted in the entry of a judgment in favor of plaintiffs in the amount of approximately $1,600,000.

10. At about the same time this case was filed on January 14, 1986, Four Star filed for reorganization under Chapter XI. Four Star's only marketable product at the time was the Modified AMC Rack. Without AMC as a customer, Four Star was out of business.

11. Earlier, in September 1985, JAC bid for the AMC business for the XJ and Eagle family of vehicles. In its bid discussions with AMC, JAC made no mention of Four Star and AMC's infringing activities.

12. In November 1985 AMC considered changing to an alternative rack design to be manufactured by Automotive Moulding. The alternative design included lower-cost skid strips. AMC did not go beyond preliminary consideration of the alternative design.

Opinion on Damages

13. In May 1986 Four Star filed a motion for summary judgment, asserting practically all the defenses against validity and enforceability of the '710 patent subsequently held insufficient by the Court.

14. While the manner of ordering and shipping the component parts of the Modified AMC Rack changed from time-to-time for AMC's convenience, and on occasion, the component parts were priced separately, Four Star always billed AMC on a per kit cost, which included skid strips. AMC has on occasion, as have other automobile manufacturers, purchased skid strips separately. However, Four Star's business with AMC always included a complete rack. Had JAC obtained the AMC business, it is reasonably probable that AMC would have purchased a complete rack from JAC.

15. Automotive Moulding was not a real competitor of Four Star and JAC. The only reasonably probable sources for AMC of the Modified AMC Rack were Four Star and JAC. In July 1986, for example, when AMC sought an enhanced rack for its Jeep Cherokee Limited model, only Four Star and JAC bid. JAC got the business.

16. JAC had the capacity to supply AMC's requirements for racks. Up until August 30, 1987, defendant sold $14,200,000 worth of Modified AMC Racks to AMC. The incremental profit to JAC on this business would have been 25%.

17. Pre-judgment interest rates for the years involved here are:

1985 - 10.71%
1986 - 9.34%
1987 - 8.7%

Plaintiffs were not particularly aggressive in pursuing their rights under the '710 patent until they filed suit in January 1986. While they notified Four Star and AMC as soon as the claims of the '710 patent were allowed, they did nothing more until almost

a year later. In the interim, JAC competed with Four Star for the AMC business and actively engaged in settlement discussions of *Bott I*. The discussions included as an agenda item a license of the '710 patent. Plaintiffs also assiduously avoided a confrontation with AMC as an infringer.

Four Star was "between a rock and a hard place." It had diligently pursued a design-around effort, which both it and AMC thought was successful, only to find the effort frustrated by Bott's rather extraordinary manner of chaining applications in the Patent Office. By the time Four Star realized its design-around effort was of no avail, it had no alternative but to continue to do business with AMC in the hope that when the day of reckoning came, it could make a case for either the invalidity or unenforceability of the '710 patent. While Four Star had an affirmative duty to seek competent legal advice and proceed only with a good faith, reasonable belief that it had the right to manufacture and sell the Modified AMC Rack, it cannot be said to have proceeded in bad faith. Four Star certainly had plenty of legal advice (Mandarino testified that Four Star has spent some $900,000 in legal fees since filing the Chapter XI petition!), and the fact that none of this advice between May 15, 1985 and January 1986 was devoted to a formal legal opinion on the validity and enforceability of the '710 patent should not be a cause for punishment. Finally, as observed in the Memorandum of November 23, 1987, memorializing the granting of a stay of the injunction, plaintiffs' real objective appears to be to force Four Star out of business rather than to collect damages.

JAC could have anticipated the AMC business had Four Star not been in the picture. In the ordinary course of events, JAC would have likely sold a complete rack to AMC. This was so with the AMC Rack, and there is nothing in the record to suggest otherwise with the Modified AMC Rack.

V.

Plaintiffs shall present a form of judgment on damages, on notice to Four Star, computed in accordance with the Court's findings above. This opinion constitutes the findings of fact and conclusions of law required by Fed. R. Civ. P. 52(a).

(s) AVERN COHN
United States District Judge

DATED: DEC 09 1987
Detroit, Michigan

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

OPINION ANNOUNCING
JUDGMENT OF THE COURT

OPINION FILED AND JUDGMENT ENTERED:
MAY 26 1988

The attached opinion announcing the judgment of the court in your case was filed today. The judgment was also entered pursuant to Rule 36.

Costs may be recoverable under Rule 39 or as the court may have directed in the opinion. A party entitled to costs is provided with a form for that purpose with this notice. Costs when taxed are payable to the party awarded its costs. If costs are awarded to the government, they should be paid to the Treasurer of the United States. Payment should be made to counsel for the party awarded costs or, if the party is not represented by counsel, to the party pro se. Costs should be paid promptly.

If the court also imposed monetary sanctions, they are payable to the opposing party unless the court's opinion provides otherwise. Sanctions should be paid in the same way as costs.

FRANCIS X. GINDHART
Clerk

Opinion—Decided May 26, 1988

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1117, -1118

JOHN A. BOTT and JAC PRODUCTS, INC.,
Plaintiff/Cross-Appellant,

v.

FOUR STAR CORPORATION,
Defendant/Appellant.

DECIDED: May 26, 1988

Before BISSELL, ARCHER and MAYER, *Circuit Judges.*
ARCHER, *Circuit Judge.*

Four Star Corporation ("Four Star") appeals the decisions of the United States District Court for the Eastern District of Michigan, Southern Division, holding that U.S. Patent No. 4,516,710 ('710) granted to John A. Bott and assigned to JAC Products, Inc. (Bott) is not invalid or unenforceable and that Bott is not equitably estopped from enforcing this patent. Bott cross-appeals the finding on summary judgment of no infringement of U.S. Patent Nos. 4,099,658 ('658) and 4,182,471 ('471) by Four Star. We *affirm* the district court on all issues.

Note: This opinion has not been prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent. The decision will appear in tables published periodically.

Opinion—Decided May 26, 1988

OPINION

I. APPEAL

A. Equitable Safeguards as to Enforcement of '710

Four Star was sued and found to infringe the '658 and '471 patents, relating to certain automobile luggage racks, in an earlier action appealed to this court. *Bott v. Four Star Corp.*, No. 83-1080 (Fed. Cir. March 21, 1984) (unpublished). Four Star then altered its design to avoid infringement of these patents. Thereafter, the '710 patent issued in 1985 and contained claims broad enough to encompass Four Star's redesigned racks. The '710 patent resulted from the seventh application in a series of continuation applications, all based on the identical disclosure and relying for priority on an application filed in 1974. The applications on which the '658 and '471 patents issued were part of this string of continuations.

Four Star contends that patents based on a series of continuation applications should be subject to equitable safeguards if they issue two years after a patent issues on the original disclosure. In support, Four Star relies on *Webster Elec. Co. v. Splitdorf Elec. Co.*, 264 U.S. 463 (1924). *See also Crown Cork & Seal Co. v. Ferdinand Gutmann Co.*, 304 U.S. 159 (1937).

We are not persuaded by Four Star's position because these Supreme Court cases preceded the enactment of the Patent Act of 1952 (Title 35 of the United States Code). Continuation applications are authorized by 35 U.S.C. § 120 (Supp. III 1985). Section 120 does not contain any time limit on broadened claims similar to the two-year time limit applicable to reissue proceedings under 35 U.S.C. § 251 (1982). The latter section expressly provides that a reissued patent shall not be granted enlarging the scope of the claims of a patent unless it is applied for within two years of the grant of the original patent. Had the legislature intended any such time limit to apply to continuation applications it could have included a similar provision in section 120. Moreo-

ver, we have not been directed to anything in the legislative history of the 1952 Act that supports Four Star's contention that the equitable considerations discussed in the Supreme Court cases relied on by Four Star should have continued viability.

Accordingly, we are not persuaded by Four Star's argument that this court should adopt equitable safeguards to limit continuation applications when the Congress gave no indication that it intended to so do. *See In re Hogan,* 559 F.2d 595, 604 n.13, 194 USPQ 527, 536 n.13 (CCPA 1977) ("The 24 years of pendency herein may be decried, but a limit upon continuing applications is a matter of policy for the Congress, not for us."); *In re Henriksen,* 399 F.2d 253, 262, 158 USPQ 224, 231 (CCPA 1968) (application depended on another filed twenty years earlier).

B. Equitable Estoppel as to the Enforcement of '710

Four Star's argument that Bott should be equitably estopped from enforcing the '710 patent is without merit. The district court made specific findings that Four Star had not established the essential elements required for estoppel, and Four Star has not demonstrated that the court's findings are clearly erroneous or that its conclusions are otherwise in error. Accordingly, the district court's decision on estoppel is affirmed.

C. Violation of 37 C.F.R. § 10.18

Four Star's argument that the '710 patent should be unenforceable because of a violation of 37 C.F.R. § 10.18 is also without merit. Four Star has only alleged generally that this rule was violated but has not set forth facts to support any specific violation.

D. Double Patenting

Four Star argues that the '710 patent is invalid for statutory double patenting, citing *In re Blattner,* 245 F.2d 491, 494, 114 USPQ 299, 301 (CCPA 1957), for the proposition that generic

claims cannot issue later than species claims. Because the '710 claims are not generic but merely a broadening of the claims of the '658 and '471 patents, *Blattner* is inapposite and Four Star's contention is rejected.

E. Unenforceability for Inequitable Conduct

Four Star argues that the '658, '471, and '710 patents are unenforceable for inequitable conduct in connection with the prosecution of the '710 patent before the PTO. Even if this issue had been considered by the district court, which is not clear from the record, it is raised on appeal for the first time in Four Star's reply brief. This is in contravention of Fed. R. App. P. 28(c) which specifies that "[t]he appellant may file a brief *in reply to the brief of the appellee.*" (Emphasis added.) Thus, new issues may not be raised in the reply brief. Moreover, Four Star's reply brief is completely devoid of citations to the record to support its contentions on this issue.

II. CROSS-APPEAL

A. Infringement of the '471 and '658 Patents

Bott contends that the district court improperly granted summary judgment that the redesigned racks of Four Star do not infringe the '471 and '658 patents. We are not persuaded by Bott's argument that there were material facts in dispute. In its infringement analysis the district court was required merely to interpret the claims at issue, a question of law, *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1054, 5 USPQ2d 1434, 1441 (Fed. Cir. 1988), to determine whether removability with the aid of a screwdriver was covered by the claims. There was no factual dispute regarding how the accused racks could be removed, nor that there would be no infringement, either literally or under the doctrine of equivalents, if the claims, properly interpreted, did not

encompass removal with the aid of a screwdriver. Accordingly, summary judgment was properly granted on these issues.

In November 1983 Bott filed the seventh continuation application in the chain with claims substantially identical to the independent claims of the two patents involved in the first suit, with the "removability" limitation deleted so that they would read on the revised AMC rack. The '710 patent issued in March, 1975 as a result of that application.

A critical aspect of the underlying factual situation is that the '710 patent was directed to the same invention as the two patents earlier in suit and simply broadened the scope of protection afforded the patentee by deleting a limitation contained in the earlier claims. It thus "enlarges the scope of the claims of the original patent" as that term is employed in 35 USC 251.

Essentially, it is the appellant's position that if the patent system allows a patentee to correct the claims of a patent which claims less than the patentee had a right to claim by either the reissue procedure authorized by statute or alternatively by filing a series of continuation applications with disclaimers of the terms of the issuing patents, as Bott did here (that would be the affect of the affirmance of the Lower Court liability decision under appeal in the companion case), then equity requires that the intervening rights provisions as contained in the reissue statutes and in the court decisions in which intervening rights arose prior to codification of the reissue statutes should be invoked to protect a party found to infringe the later issuing patents.

Testimony of William Schuyler
Jan. 22, 1987

TESTIMONY OF WILLIAM SCHUYLER
JAN. 22, 1987

(16)

* * *

THE COURT: So Bott had the best of both worlds, he didn't have to assert the claim to (17) get it and, on the other hand, he was protected against anyone else coming in from the side?

A That's right.

THE COURT: Doesn't that offend you a little bit?

A If there were a Bill in Congress to rectify the situation I would support it, your Honor. I don't find anything offensive about the conduct in this case.

THE COURT: I didn't ask you about the conduct. I asked you about the hypothetical I gave you.

A I said I would. I am offended by it. I would like to see the law corrected.

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